

Consultation Paper

CP16/18**

Changes to disclosure rules in the FCA Handbook to reflect the direct application of PRIIPs Regulation



July 2016

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We are asking for comments on this Consultation Paper by 19 September 2016.

You can send them to us using the form on our website at:
www.the-fca.org.uk/cp16-18-response-form.

Or in writing to:

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Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

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Abbreviations used in this paper

AIF	Alternative investment fund
AIFM	Alternative investment fund manager
AIFMD	Alternative Investment Fund Managers Directive
BCOBS	Banking: Conduct of Business Sourcebook
CBA	Cost benefit analysis
CIS	Collective Investment Scheme
COBS	Conduct of Business Sourcebook
COLL	Collective Investment Schemes Sourcebook
CP	Consultation paper
EBA	European Banking Authority
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
ESMA	European Securities and Markets Authority
EU	European Union
EuSEF	European Social Entrepreneurship Fund
EuVECA	European Venture Capital Fund
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
FUND	Investment Funds Sourcebook

IMD	Insurance Mediation Directive
ICVC	Investment company with variable capital
ITSS	Investment Trust Savings Scheme
KFD	Key features document
KFI	Key features illustration
KID	Key Information Document
KII	Key Investor Information
KIID	Key Investor Information Document
LRRA	Legislative and Regulatory Reform Act 2006
MiFID	Markets in Financial Instruments Directive
MiFID II	Markets in Financial Instruments Directive (recast)
NURS	Non-UCITS retail scheme
NURS-KII	Non-UCITS retail scheme-key investor information
OEIC	Open-ended investment company
PD	Prospectus Directive
PR	Prospectus Rules Sourcebook
PRIIP	Packaged Retail and Insurance-based Investment Product
PS	Policy Statement
QIS	Qualified Investor Scheme
RTSs	Regulatory Technical Standards
SPVs	Special purpose vehicles
UCITS	Undertakings for collective investment in transferable securities
UK	United Kingdom

1. Overview

Introduction

- 1.1** At present, the regulatory disclosure requirements applicable to retail investment firms (including investment fund managers) are detailed in the FCA Handbook.¹ This will change on 31 December 2016 when the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation² takes effect in the European Union (EU). As a regulation, the PRIIPs Regulation is directly applicable without any additional domestic legislation being passed. Therefore, from that date firms in the EU will need to comply with the PRIIPs Regulation, in addition to relevant disclosure provisions in the FCA Handbook, and any separate legislation that may also apply to them.
- 1.2** The policy contained in this consultation paper (CP) has been designed in the context of the existing United Kingdom (UK) and EU regulatory framework. We will keep the proposals and our policy under review to assess whether any changes would be required due to any intervening changes in the UK regulatory framework, including as a result of any negotiations following the UK's referendum on EU membership.
- 1.3** The UK will be obliged to enforce EU Regulations for as long as the UK remains a member of the EU. Therefore, the FCA is consulting on proposals to enable firms to comply with the PRIIPs Regulation. Given the tight implementation timetable, we feel it is important to go ahead with this consultation in order allow firms time to make the necessary changes before the Regulation enters into force.
- 1.4** The PRIIPs Regulation will require firms to prepare, publish and provide a Key Information Document (KID) for each PRIIP manufactured. This regulation, and the related Regulatory Technical Standards (RTSs)³, set out the form and content of the KID. In making this legislation, the European Commission's aim is to help retail investors compare in-scope products and make informed decisions, and to facilitate the single market for PRIIPs.
- 1.5** Each KID will need to be no more than three pages long and contain specified information, presented in a pre-determined sequence. Firms will need to give specified information about the PRIIP under sections entitled:
- What is this product?
 - What are the risks and what could I get in return?
 - What happens if [name of the PRIIP manufacturer] is unable to pay out?

¹ Primarily the Conduct of Business Sourcebook (COBS), Collective Investment Schemes Sourcebook (COLL), Investment Funds Sourcebook (FUND), Banking: Conduct of Business Sourcebook (BCOBS) and Prospectus Rules Sourcebook (PR).

² Regulation (EU) No. 1286/2014

³ See http://ec.europa.eu/finance/finservices-retail/investment_products/index_en.htm#maincontentSec1

- What are the costs?
 - How long should I hold it and can I take money out early?
 - How can I complain?
 - Other relevant information.
- 1.6** As the PRIIPs Regulation is an EU regulation, from 31 December 2016, it will create directly applicable legal requirements for persons who manufacture, advise on or sell PRIIPs. This means that it will apply directly to such persons (which could include both authorised firms and certain other persons who do not need FCA authorisation).
- 1.7** As the provisions of the PRIIPs Regulation are directly applicable, the Financial Conduct Authority (FCA) will not transpose them into the FCA Handbook, but will refer to them.
- 1.8** In order to comply with EU law, and to avoid duplication and confusion about the disclosure requirements in the FCA Handbook that apply to firms, this CP sets out proposals to delete, amend or dis-apply certain Handbook rules which apply requirements that are either superseded by this regulation, or incompatible with it. The changes are proposed to take effect on 31 December 2016.
- 1.9** We also propose to clarify (or signpost) how our disclosure rules apply in addition to the requirements in the PRIIPs Regulation. For example, where FCA rules implement EU legislation that co-exists with the PRIIPs Regulation, such as disclosure requirements implementing the Markets in Financial Instrument Directive (MiFID)⁴, these rules will continue to apply. As such, in relation to many products, the KID will not be the only disclosure document or information that consumers may or will need to receive.
- 1.10** In order to prepare for the application of the PRIIPs Regulation on 31 December 2016, we expect all affected firms to plan for changes to their retail disclosure documents and related processes. In this CP, we detail our proposed approach to amending the Handbook. Our aim is to publish a Policy Statement (PS) later this year that will set out the new Handbook provisions and clarify how the PRIIPs Regulation will be incorporated into the regulatory framework applying in the UK from 31 December 2016.

Who does this consultation affect?

- 1.11** This paper will affect most firms that provide investments or investment services to the UK retail market.
- 1.12** In particular, this paper affects the following:
- Firms that manufacture⁵, advise on, or sell retail investment products that fall within the scope of the PRIIPs Regulation (firms will need to produce, publish or provide KIDs for packaged retail products, such as funds, insurance-based investments, structured products, derivatives, and investments issued by some special purpose vehicles).

⁴ Markets in Financial Instruments Directive 2004/39/EC, as amended.

⁵ Distributing firms will be affected if they make changes to an existing PRIIP, when they will be considered PRIIP manufacturers – see PRIIPs Regulation Article 4(4)(b).

- Firms that are UCITS management companies or authorised fund managers of NURS (these firms will be able to produce a UCITS KIID or NURS-KII document as an alternative to the KID for a transitional period).
- Firms outside the scope of the PRIIPs Regulation, if affected by the proposal to mirror the approach of the PRIIPs Regulation in relation to firms' 'use of colours' in client communications, or the proposal to remove the requirements for firms to provide professional clients investing in non-UCITS retail schemes (NURS) or Qualified Investor Schemes (QISs) with a Key Features Document (KFD) or a simplified prospectus.

Is this of interest to consumers?

- 1.13** This CP may be of interest to consumer organisations and retail consumers of investments or investment services. It discusses the introduction of KIDs and explains why many of the disclosure documents that retail consumers receive will have a different name, layout and content from the beginning of 2017.

Context

- 1.14** This CP outlines proposals to amend the FCA Handbook, consistent with the FCA's objectives of securing an appropriate degree of consumer protection, appropriate competition, and protecting and enhancing the integrity of the UK financial system

Summary of our proposals

- 1.15** In Chapter 2 of this CP, we consider the aims, scope and impact of the PRIIPs Regulation, and comment on how it will require firms to give retail investors⁶ KIDs that disclose the key features of packaged retail and insurance-based investment products. We discuss how a PRIIP is defined, outline those investments we consider to be PRIIPs, and those we consider to be outside the scope of the definition. We also refer to the European Commission's future plans to remove the exemption and widen the application of the PRIIPs Regulation to include UCITS⁷ after 31 December 2019.⁸
- 1.16** In Chapter 3, we set out the various disclosure requirements in the FCA Handbook that currently apply to firms that manufacture, give advice on, or sell products that will be PRIIPs. We then outline our proposals to revise our investment product disclosure rules to take account of the introduction of the KID. In brief, we propose to:
- i. Amend or delete disclosure rules in the FCA Handbook, where these would otherwise duplicate or conflict with PRIIPs Regulation requirements to prepare and produce a KID.
 - ii. Amend or maintain certain disclosure rules in the FCA Handbook that set out how firms may provide additional information to supplement the KID required by the PRIIPs Regulation.

⁶ In the PRIIPs Regulation, a 'retail investor' means both a 'retail client', as defined in MiFID II, and a 'customer' (who is not a professional client), as defined in the Insurance Mediation Directive (IMD).

⁷ Undertakings for collective investment in transferable securities

⁸ The PRIIPs Regulation, Article 32(1) provides an exemption for UCITS schemes until 31 December 2019.

- iii. Amend provisions in the FCA Handbook relating to the use of colours to align them with the approach of the PRIIPs Regulation, where a similar approach is desirable and in the interests of consumers.

1.17 In Chapter 4, we comment on MiFID and the recast Directive (MiFID II).

Equality and diversity considerations

1.18 In developing our proposals, we have considered any potential equality and diversity implications, and take the view that they do not adversely impact any of the groups with protected characteristics, i.e. age, disability, gender, pregnancy and maternity, race, religion and belief, sexual orientation and transgender.

1.19 We will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when publishing the final rules.

1.20 In the interim we welcome any input to this consultation on such matters.

Next steps

1.21 So that amended disclosure rules are ready for firms to apply from 31 December 2016, and in order to give firms the most time possible to implement following publication of the final rules, the period available for this consultation is two months.

What do you need to do next?

1.22 Please send your response to this CP by 19 September 2016. To submit a response, please use the online response form on our website or write to us at the address on page 2.

What will we do?

1.23 Following consideration of feedback to this CP, we plan to publish a Policy Statement (PS) making final rules in November 2016.

2. Impact of the PRIIPs Regulation and RTSs

Development of the PRIIPs Regulation and RTSs

- 2.1** The PRIIPs Regulation, which introduces the KID, will apply from 31 December 2016. It was developed with the aim of encouraging efficient EU markets by helping investors to better understand and compare the key features, risks, rewards and costs of different retail products (if PRIIPs). It does this by requiring that investors are provided with information in a short and consumer-friendly document – the KID.
- 2.2** As empowered by the Regulation, the three European Supervisory Authorities (ESAs) – European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), and European Securities and Markets Authority (ESMA)) – have developed RTSs, the Level 2 measures. These RTSs contain detailed rules on the following areas:
- content, presentation, calculation of information in the KID
 - review, revision and republication of the KID
 - timing of delivery of the KID
- 2.3** The final draft RTSs have been published and adopted as a delegated act by the European Commission. So long as they are not objected to by the European Parliament or the Council of the European Union, the RTSs will be published in the Official Journal of the European Union and will apply from 31 December 2016. They will be directly applicable to firms.
- 2.4** In this CP we do not comment on how affected firms should comply with the PRIIPs Regulation or the RTSs. However, in order to outline how provisions in the FCA Handbook will apply, the FCA has needed to take a high-level view on which types of firm will need to comply with the PRIIPs Regulation, and which products are, or are not, PRIIPs. In order to help firms with their planning for the introduction of the PRIIPs Regulation, we set out our views on the scope of the regulation in the information document, 'PRIIPs disclosure: Key Information Documents' (updated May 2016⁹). These views are summarised below.

What is a PRIIP?

- 2.5** A PRIIP is a type of retail product defined in the PRIIPs Regulation. The PRIIPs definition applies regardless of the legal form of the investment product, so the characteristics of the product are the key consideration.

⁹ www.the-fca.org.uk/firms/priips-disclosure-key-information-documents

- 2.6** The regulation states that a PRIIP is an investment where, *regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor, or which is an insurance product that offers a maturity or surrender value that is wholly or partially exposed, directly or indirectly, to market fluctuations.*¹⁰
- 2.7** Identifying whether a particular product is a PRIIP may not always be straightforward, as the concept of ‘exposure to reference values’ is wide. Often, consideration of the actual terms of the specific product may be needed.
- 2.8** However, having reviewed the current retail market, we consider the following products to be caught by the definition (some of which overlap):
- 1.** regulated collective investment schemes (CISs) that are:
 - non-UCITS retail schemes (NURSSs) (authorised unit trusts, open-ended investment companies¹¹ and authorised contractual schemes)
 - qualified investor schemes (QISs) (same types as (1))
 - individually recognised overseas schemes (FSMA s272 recognised schemes)
 - 2.** unregulated CISs that are alternative investment funds, including, but not limited to:
 - some unauthorised unit trust schemes
 - venture capital trusts
 - private equity schemes
 - 3.** unregulated CISs that are not alternative investment funds
 - 4.** alternative investment funds that are not CISs, including shares/securities in an investment trust that are held directly by the investor
 - 5.** investment trust savings schemes that allow the shares/securities of investment trusts to be held in a managed account
 - 6.** European Social Entrepreneurship Funds (EuSEFs) and European Venture Capital Funds (EuVECAs)¹²
 - 7.** insurance-based investment products such as unit-linked policies, with-profits policies and Holloway sickness policies
 - 8.** fluctuating return annuities (that are not pension products) with features that result in fluctuating amounts being paid to the annuitant because of exposure to reference values (such as indices) or to the performance of one or more assets which are not directly purchased by the annuitant (e.g. purchased life annuities with variable returns)

¹⁰ PRIIPs Regulation, Article 4(1) and 4(2)

¹¹ Also known as investment companies with variable capital (ICVCs).

¹² Only certain retail investors can invest in EuSEFs and EuVECAs (e.g. they need a minimum 100,000 Euros to invest). See Article 6 of European social entrepreneurship funds Regulation 346/2013 and Article 6 European venture capital funds Regulation 345/2013.

9. derivatives: options, futures, and contracts for differences
 10. structured investment products (whatever their form); for example, these may be structured as unregulated CISs, convertible securities, insurance policies or instruments issued by special purpose vehicles (SPVs)
 11. structured deposits (as defined in MiFID II, Article 4(1)(43))
 12. securities issued by certain special purpose vehicles (e.g. convertible bonds that convert from equity to debt securities)
- 2.9** We do not consider this list to be definitive or complete. As product providers innovate and develop new products, we expect product types to emerge that may also fall within the scope of the PRIIPs definition. However, subject to further clarification from the Commission and/or ESA's, we think the investment categories listed above (which are not mutually exclusive) give an indication of the types of retail product that firms should consider affected by the PRIIPs Regulation.

What is not a PRIIP?

- 2.10** Having set out the product types caught by the PRIIP definition, we would note that the following are not likely to be PRIIPs:
1. non-life insurance/general insurance¹³, and life insurance that only pays benefits on death or incapacity due to injury, sickness or infirmity (i.e. products that have no surrender value, or a surrender value that does not depend on fluctuations in the performance of one or more underlying assets or reference values)
 2. deposits (other than structured deposits¹⁴ as defined in MiFID II)
 3. assets that are held directly by the retail investor, such as corporate shares or sovereign bonds¹⁵
 4. pension products¹⁶ – pensions that are recognised under national law as having the primary purpose of providing the investor with an income in retirement (including pension annuities purchased using monies from a pension product recognised under UK law), occupational pension schemes¹⁷, and individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider

¹³ Non-life insurance products listed in Annex 1 (Classes of non-life insurance) of Directive 2009/138/EC are specifically excluded by PRIIPs Regulation, Article 2(2)(a).

¹⁴ MiFID II recital 39 clarifies that structured deposits are a form of investment and do not include deposits linked solely to interest rates, such as Euribor or Libor, regardless of whether or not the interest rates are predetermined, or whether they are fixed or variable; therefore, such deposits are excluded from the scope of the PRIIPs Regulation.

¹⁵ See PRIIPs Regulation, recital 7. We consider that this includes holding such assets in dematerialised form through nominee accounts.

¹⁶ Pension products are excluded from the scope of the PRIIPs Regulation, Article 2(2)(e).

¹⁷ Official recognised occupational pension schemes within the scope of Directive 2003/41/EC (Occupational Pension Funds) or Directive 2009/138/EC (Solvency II).

5. fixed annuities (that are not pension products) where the amount payable to the annuitant does not fluctuate (e.g. a purchased life annuity that pays a fixed amount of income for life or an annuity that pays a fixed income for a specified term)
 6. certain securities such as, subject to certain conditions, securities issued by Member States, their regional or local authorities, central banks, public international bodies, non-profit making bodies or credit institutions
- 2.11** The scope of the PRIIPs Regulation may alter over time. For example, the European Commission is mandated by the Regulation to assess by December 2018 whether or not to include pension products within the scope of the regulation. So, at some point in the future, pension products may be considered PRIIPs.

Who does the PRIIPs Regulation apply to?

- 2.12** The PRIIPs Regulation and related RTSs apply to persons who manufacture PRIIPs, requiring them to prepare a KID for every PRIIP that they produce, and to publish each KID on their website. Where the distributor makes changes to the PRIIP, the requirement to prepare and publish a KID applies to firms that distribute PRIIPs. In such cases – for example, when a distributor re-brands or ‘white-labels’ a PRIIP in a way which changes the risk and reward profile or the costs associated – the distributor is considered a ‘PRIIP manufacturer’.
- 2.13** The PRIIPs Regulation also applies to persons who advise on or sell PRIIPs, and requires them to provide a KID for each PRIIP advised on or sold to retail investors. The KID must be provided in good time before the retail investor is bound by any contract or offer relating to the PRIIP, so the investor can make an informed investment decision based on the information in the KID. This may include sufficient time to compare KIDs for different PRIIPs, as well as time to read and understand each KID.
- 2.14** Therefore, in practice, we expect the PRIIPs Regulation will apply to FCA-authorised firms, such as:
- retail investment product providers
 - life companies
 - discretionary investment management firms
 - firms providing services in relation to insurance-based investments
 - fund managers
 - stockbrokers and other firms that provide advice to retail clients on funds, structured products and derivatives
 - financial advisers
 - firms operating retail distribution platforms
- 2.15** The PRIIPs Regulation and RTSs will also apply to persons outside the FCA’s current regulatory remit, such as offshore (non-UK) manufacturers of PRIIPs.

Impact on appointed representatives

- 2.16** In general terms, under the Financial Services and Markets Act 2000 (FSMA), the failure of an appointed representative to comply with a specified qualifying EU provision is treated as having been done or omitted by the appointed representative's principal. In the context of the PRIIPs Regulation this means that, provided the PRIIPs Regulation is specified in the qualifying EU provisions order by HM Treasury, the FCA will have the power to take action against a principal if its appointed representative fails to comply with the PRIIPs Regulation.

Impact on consumers

- 2.17** The PRIIPs Regulation only applies if the PRIIP is made available to retail investors. Retail investors are defined as 'retail clients' in MiFID II, or 'customers' as referred to in the IMD, insofar as these would not qualify as professional clients under MiFID II. Following the PRIIPs Regulation taking effect, during 2017, consumers should notice a change in the style, layout and content of the disclosure documents they are given when researching or purchasing PRIIPs.

What information needs to be in a KID?

- 2.18** The PRIIPs Regulation requires that a KID is a standalone, standardised document prepared for each investment. A KID can be up to a maximum of three sides of A4-sized paper. It may refer to other documents, such as an Approved Prospectus, if the cross-reference is related to the information required to be included in the KID, or under certain circumstances refer to where detailed information can be found¹⁸. A KID may also provide information about underlying options for one product (such as a life policy) within one document. Each KID will need to contain the following information, presented in a pre-determined sequence of sections.
- 2.19** The sections for a KID are set out in the PRIIPs Regulation. In summary, these are:
- **What is this product?** This section will include information on the type of PRIIP, its objectives and means of achieving them, a description of underlying instruments or references, values, and the target market. Where applicable, it will also include whether the PRIIP targets specific environmental or social objectives, the term of the product (if known), and, if it is an insurance-based investment product, details of the insurance benefits.
 - **What are the risks and what could I get in return?** This section will include a summary risk indicator, as well as a narrative, details of the possible maximum loss of capital, and performance scenarios.
 - **What happens if [name of the PRIIP manufacturer] is unable to pay out?** This section will include a description of any compensation scheme available.
 - **What are the costs?** This section will include summary cost indicators, which will include all direct, indirect, one-off and recurring costs (shown in both monetary and percentage terms), and will show the compound effects of total costs.

¹⁸ PRIIPs Regulation, Article 6(2) and (3)

- **How long should I hold it and can I take money out early?** This section will include any cooling off period or cancellation period, recommended holding period, and consequences of cashing in early.
- **How can I complain?** This section will detail how complaints can be made.
- **Other relevant information** This section will signpost to other relevant information, such as where a prospectus may be found (the KID cannot signpost to marketing material).

2.20 The PRIIPs Regulation outlines the layout of the KID. The RTSs will contain detailed rules on:

- the content and presentation of the KID
- how to calculate some of the information in the KID
- the review, revision and republication of the KID
- the timing of delivery of the KID

UCITS

2.21 Although UK undertakings for collective investment in transferable securities (UCITS) schemes and EEA UCITS schemes (including Exchange Traded Funds that are UCITS schemes) are investment products that fall within the definition of a PRIIP, the requirements in the PRIIPs Regulation will not apply immediately in relation to such schemes, due to an exemption.¹⁹ So, in relation to such schemes, firms will need to continue to apply the existing Key Investor Information Document (KIID) requirements in the Conduct of Business Sourcebook (COBS) and the Collective Investment Schemes Sourcebook (COLL).²⁰ The UCITS KIID requirements arise as a result of EU legislation, so much of the relevant material in COBS and COLL is copied from mandatory requirements in the UCITS Directive and will not change on 31 December 2016.

2.22 The treatment of UK UCITS schemes and EEA UCITS²¹ schemes may be subject to change following a planned review and decision by the European Commission. Should UK UCITS schemes and EEA UCITS schemes become subject to the PRIIPs Regulation, we may need to reconsider the UK UCITS scheme and EEA UCITS scheme provisions in the FCA Handbook.²²

¹⁹ PRIIPs Regulation, Article 32 and recital 35

²⁰ Firms also need to take account of the UCITS KIID technical requirements in the directly applicable EU KII Regulation 583/2010, specifying the form and contents of key investor information (see text in COLL Appendix 1EU).

²¹ In this CP 'EEA UCITS schemes' refers to non-UK UCITS.

²² Firms also need to consider the provisions that allow authorised fund managers of NURS to produce a document that is equivalent to the UCITS KIID (a NURS-KII document) and thereby benefit from the exemption to the PRIIPs regulation in article 32(2). See paragraphs 3.16 to 3.25.

3. Outline of the current regulatory disclosure framework and proposed changes

- 3.1** At present, the retail investment product disclosure requirements relevant to firms are found in COBS, COLL and the Investment Funds Sourcebook (FUND). There are also requirements in the Prospectus Rules Sourcebook (PR) that are relevant to transferable securities, unless exemptions apply.

Products that will be affected by the introduction of the KID

- 3.2** In order to develop the FCA's policy response to the PRIIPs Regulation and the introduction of the KID, we considered the current retail market and identified retail investment products likely to fall within the definition of a PRIIP. These products are detailed in Chapter 2.
- 3.3** Many current retail products will be affected by the introduction of the PRIIPs Regulation. In summary, these include, but are not limited to, the following:
- 1.** retail investment funds (other than UK UCITS schemes and EEA UCITS schemes²³)
 - 2.** most insurance-based investment products (such as unit-linked or with-profits policies)
 - 3.** structured investment products
 - 4.** derivatives
 - 5.** certain securities
 - 6.** fluctuating return annuities (that are not pension products)
- 3.4** Although UK UCITS schemes and EEA UCITS schemes fall within the PRIIP definition, these schemes are currently exempt until 31 December 2019. So, firms should continue to comply with existing requirements to prepare a UCITS KIID, and should not prepare, publish or provide a KID in relation to UCITS schemes.

²³ If a fund manager of a NURS opts, in accordance with our proposed rules, to produce a NURS-KII document rather than a KID for a NURS it manages, the exemption in Article 32(2) PRIIPs Regulation applies. This means that the NURS manager will not be affected by the Regulation until 31 December 2019 for that NURS. For a discussion of our proposed rules relating to the NURS-KII document see paragraphs 3.16 to 3.24.

Disclosure documents that will be affected by the introduction of the KID

- 3.5** Having considered the products affected, we also considered the pre-contractual disclosure documents and information that firms are currently required to prepare and provide in relation to these. The documents and information, and the FCA Handbook provisions that require their preparation or provision to consumers, are:
1. key features documents (KFDs) (COBS 13.1.1R(1) and 14.2.1R(1)), including complaints, compensation and cancellation information (COBS 13.3.1R(2))
 2. key features illustrations (KFIs) (COBS 13.1.1R(2) and 14.2.1R(1))
 3. simplified prospectus (COLL 4.6.2R and COBS 14.2.1R(5))
 4. Key Investor Information Document (KIID) (COLL 4.7.2R, COLL Appendix 1EU, and COBS 14.2.1R(7))
 5. fund documents for unauthorised CIS (COBS 18.5.5R, 18.5.10E and 18.5.10AR)
 6. alternative investment fund information (FUND 3.2.2R)
 7. scheme prospectus (COLL 4.2.2R, COLL 4.2.5R and COLL 9.3.1D)
 8. QIS prospectus (COLL 8.3.2R and 8.3.4R)
 9. Approved Prospectus (PR 1.2.1UK)
 10. Consolidated Life Directive information (COBS 13.1.2R and 14.2.1R(2))
- 3.6** The requirements to disclose the documents or information detailed above may, in some cases, be subject to exemptions from the need to disclose, or include options for firms to disclose in different formats. However, in relation to all the products affected, the high-level requirement for disclosure material to be 'fair, clear and not misleading' applies, along with the requirement to be sufficient and balanced.²⁴

Proposed changes to the regulatory disclosure framework

- 3.7** From 31 December 2016, unless an exemption applies, in order to comply with the PRIIPs Regulation, firms that manufacture PRIIPs will need to prepare standardised KIDs for any PRIIP they manufacture (in line with the RTSs), and publish each KID on their website. Firms that distribute PRIIPs will also need to prepare and publish a KID, if the distributor materially alters the PRIIP (as they will be considered a PRIIP manufacturer). Firms that give advice on or sell a PRIIP will need to provide a KID for that PRIIP.
- 3.8** In order to propose a revised regulatory disclosure framework for firms that produce, give advice on, or sell PRIIPs, we considered the existing provisions in COBS, COLL and FUND. Many of these provisions will be retained as they: remain relevant outside the scope of the PRIIPs Regulation, remain relevant to UK UCITS schemes and EEA UCITS schemes, or relate to disclosure obligations under the Alternative Investment Fund Managers Directive (AIFMD).

²⁴ See COBS 4.5.2R

However, certain provisions concerning pre-sale disclosure to retail investors will no longer be needed.

- 3.9** The KID will not be the only disclosure document that firms will need to consider. Additional disclosures may be required. For example, a number of our existing rules, such as those derived from the MiFID, will be unaffected. The high-level requirements such as the ‘client’s best interest rule’²⁵ and the ‘fair, clear and not misleading rule’²⁶ will continue to apply in relation to all products.
- 3.10** In this chapter, we propose changes to the regulatory disclosure framework that will affect firms that produce, give advice on, or sell PRIIPs. These proposals involve provisions being deleted, amended, maintained or extended slightly. We are proposing to delete or amend provisions to ensure that there is no overlap or conflict with the PRIIPs Regulation requirements. Where we consider it in the interests of consumers, we are proposing to maintain rules which we consider fall outside the scope of the PRIIPs Regulation. These rules will continue to apply in addition to the regulation. In one respect (use of colour in documents), we are also proposing to make new guidance in the Handbook to apply a consistent approach to that under the PRIIPs Regulation. We consider this proposal to be both proportionate and in the interest of stakeholders.
- 3.11** At present, rules in the Handbook apply to firms in relation to packaged retail products, affecting both PRIIPs and non-PRIIPs. Once the PRIIPs Regulation applies, many of these rules will only be relevant to non-PRIIPs (‘non-PRIIP packaged products’), such as personal pension or stakeholder pension schemes, although some rules will continue to apply in relation to all products.

Rules relating to information in KFDs and KFIs

- 3.12** Firms are currently required to prepare and provide a KFD and a KFI for each ‘packaged product’ they produce, and to include specified information in these documents. The definition of a ‘packaged product’ includes products that will be PRIIPs, such as: with-profits life policies, units in regulated CISs and investment trust securities held within an investment trust savings scheme (ITSS)). It also includes non-PRIIP products, namely pension schemes and some long-term insurance contracts. We are proposing to amend the application of the relevant disclosure rules²⁷ so they do not apply in relation to packaged products that are PRIIPs²⁸, where disclosure requirements are superseded by the requirements in the PRIIPs Regulation to prepare a KID, and no exemption applies.²⁹
- 3.13** In particular, as the underlying investment trusts held within an ITSS will be PRIIPs for which KIDs will need to be prepared, we will no longer require firms to produce a KFD or KFI for an ITSS in which investment trusts are held. However, firms will still have the option of producing a post-contractual combined document for the ITSS.³⁰

²⁵ See COBS 2.1.1R

²⁶ See COBS 4.2.1R

²⁷ COBS 13.1.1R, 13.1.3R and 14.2.1R

²⁸ Although the requirement to produce a KFD currently applies in principle to a NURS, in practice we believe nearly all NURS managers produce either a simplified prospectus (under COBS 13.1.3R and COLL 4.6) or a NURS-KII document (where the manager has dispensation from the FCA in the form of a modification by consent, under which it may market units of the NURS on the basis of a NURS-KII document rather than a KFD or simplified prospectus – www.the-fca.org.uk/modification-consent-cobs-and-coll?field_fcasf_sector=221&field_fcasf_page_category=unset).

²⁹ www.the-fca.org.uk/modification-consent-cobs-and-coll?field_fcasf_sector=221&field_fcasf_page_category=unset.

³⁰ See paragraphs 3.53 to 3.55

- 3.14** So, a number of the current pre-contract disclosure rules will no longer apply in relation to products that are PRIIPs, other than rules that implement MiFID, AIFMD or the Prospectus Directive³¹ (PD) and certain other rules which are outside the scope of the PRIIPs Regulation.

Structured investment products

- 3.15** In relation to packaged products that are structured products, an existing provision³², for practical reasons, removes the requirement for firms to produce a KFI when the return on the investment is linked by a pre-set formula to the performance of a specified asset or index or combination of assets or indices (i.e. when the investment is a structured product). There will no longer be a need to prepare a KFI for structured products, as they will be PRIIPs for which a KID is produced. This exemption is therefore superfluous and we are proposing to delete it. The KID replaces the requirement to produce KFIs and the RTSs will provide the methodology underpinning any presentation of risk and reward for structured products.

Q1: Do you agree with the proposal to delete or amend the KFD and KFI disclosure requirements in COBS so they no longer apply in relation to PRIIPs for which a KID must be prepared?

NURS: KII documents

- 3.16** Our rules³³ require an authorised fund manager of a UK UCITS scheme to draw up a KIID for each UCITS scheme it manages. The FCA has allowed NURS managers the choice of producing an equivalent document to the UCITS KIID by way of a modification by consent of the relevant rules in COBS and COLL.³⁴ Where an authorised fund manager of a NURS uses this modification, it can market units of the NURS on the basis of a NURS-KII document, instead of a KFD or simplified prospectus.
- 3.17** As mentioned in paragraph 2.21, there is an exemption³⁵ in the PRIIPs Regulation, stating that the requirement to produce a KID will not apply in relation to UK UCITS schemes or EEA UCITS schemes for the three-year period to 31 December 2019. Under Article 32(2) of PRIIPs Regulation, this three-year period of exemption is available for non-UCITS funds offered to retail investors, such as NURs, if we make rules which enable NURS managers to produce a document that complies with the format and content of the UCITS KIID requirements set out in Articles 78-81 of the UCITS Directive. Currently, this is permitted via a modification by consent of the relevant rules in COBS and COLL, as discussed above.
- 3.18** We considered various options including: requiring all firms that offer NURS to retail investors to produce a NURS-KII document, or the option of ending the NURS KII regime which would have required all NURS managers to produce a KID. On balance, in order to minimise or avoid costs, we decided that providing firms with options was preferable.

³¹ Prospectus Directive 2003/71/EC

³² COBS 13.1.3R (3)(d)

³³ See COLL 4.7

³⁴ www.the-fca.org.uk/modification-consent-cobs-and-coll?field_fcasf_sector=221&field_fcasf_page_category=unset

³⁵ PRIIPs Regulation, Article 32 (see also recital 35)

- 3.19** So, in this CP, we are proposing rules and guidance³⁶ that will apply from 31 December 2016 to allow NURS managers the flexibility, until 31 December 2019, to produce either a KID or a document equivalent to the UCITS KIID: a NURS-KII document. As a consequence, when the PRIIPs Regulation applies, we expect either a NURS-KII document or a KID to be prepared for each NURS. The modification by consent will cease to apply after 30 December 2016 and the rules proposed in this paper will replace it.
- 3.20** The current modification by consent requires the NURS manager to follow the UCITS KII Regulation, except for a few specific differences. So, for example, the general requirement to show a synthetic risk and reward indicator in the 'risk and reward profile' section does not apply to the NURS-KII document of a fund that invests significantly in land and buildings.
- 3.21** We propose to continue to require NURS managers to follow the requirements under the UCITS KII Regulation, allowing for these differences, to minimise disruption to firms currently using the modification by consent. We propose a transitional provision so that NURS-KII documents produced using the modification by consent can continue to be provided for a period³⁷ after the new rules apply, until managers have replaced them with updated versions following their next review.
- 3.22** We will also make it clear where wording in the KII Regulation applies in a different way to a KII-compliant NURS. We propose a new rule³⁸, which lists all these instances and how a NURS-KII document should reflect them. For example, references to feeder UCITS investing in master UCITS should be read as references to feeder NURS investing in qualifying master schemes. The cases in which past performance information may be used following a fund merger are also slightly different, because NURS are not subject to the rules applying to the types of merger a UCITS can undertake.
- 3.23** From 2017, under the UCITS Directive, the KIID for UCITS will require a disclosure statement concerning the manager's remuneration policy for directors and staff and signposting that details of the up-to-date remuneration policy are available from a website. We are proposing that the NURS-KII document includes a similar disclosure that investors can receive a copy of the manager's written remuneration policy on request, since AIFMD does not require website publication.³⁹
- 3.24** Further, under the current modification by consent a NURS manager is not required to include a statement that it will be liable solely on the basis of any statement that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus. This statement is required in relation to UCITS and reflects the fact that the liability of a UCITS management company is limited in this way by the UCITS Directive, as implemented through FSMA by s.90ZA. As NURS managers are not subject to this limit to their liability, a statement to this effect would be inaccurate so they must not include it. The FCA is liaising with the Treasury as to the appropriate treatment of NURS managers on this issue in the regulatory framework in the UK. We propose to provide an update on this in the PS planned for later this year.
- 3.25** In other respects, AIFMs opting to provide a NURS-KII document will need to follow the rules for the UCITS KIID, and relevant existing guidance will apply to both documents. This concerns COLL 4.7, COBS 14.2 and COBS 14.3 in particular. For example, COLL 4.7.7R will require the fund manager to keep the essential elements of both documents up to date and to file the

³⁶ See COLL 4.7

³⁷ To 18 March 2017

³⁸ COLL 4.7.3AR

³⁹ COLL 4.7.2R (6B)

document and each subsequent update with us. For a feeder NURS this will also apply to the KID (or equivalent document) of the master fund in which it invests.

Q2: Do you agree with our proposals in relation to disclosures for NURs, in particular the proposal to provide firms with the option of producing either a NURS-KII document or KID and our proposals about the contents of the NURS-KII document?

Money market funds that are NURs

- 3.26** As money market funds that are NURs will be PRIIPs⁴⁰, for which KIDs or NURS KII-documents (if they are KII-compliant NURs) will need to be produced, provisions related to the content of KIDs for these products will no longer apply. However, as the current disclosure rule⁴¹ specific to products that are money market funds ensures consumers are provided with important information from managers about specified types of money market fund, we are proposing to retain the effect of this rule in a recast provision.⁴² So, we propose that a NURS-KII document will still need to disclose the fund's status as a short-term money market fund, a money market fund or a qualifying money market fund and state that the fund's investment objectives and policies will meet the conditions of the definition of short-term money market fund, money market fund, or qualifying money market fund, as appropriate.

Feeder NURs

- 3.27** As a feeder NURS will be a PRIIP⁴³ for which a KID or NURS-KII document will need to be produced, provisions related to the content of KIDs for these products will not be needed. However, we consider it important for consumers to receive adequate information about the feeder NURS and its master fund (what it invests in, what the risks are, what the combined cost of the feeder and master funds will be), as is provided for in the existing disclosure rule and guidance.⁴⁴ Therefore, for feeder NURS which produce a KID we are proposing to introduce guidance setting out our expectation that relevant documents that disclose information about the qualifying master scheme's investment aims, risks and charges, should be cross-referenced in the KID.⁴⁵ The manager of a feeder NURS that opts to produce a NURS-KII document will comply with the adapted requirements regarding master / feeder disclosure in the UCITS Directive and UCITS KII Regulation.⁴⁶

Q3: Do you agree with our proposals for rules and guidance concerning NURs that are money-market funds or feeder funds?

⁴⁰ Provided the NURS is made available to retail investors.

⁴¹ COBS 13.3.3R

⁴² See COLL 4.7.3BR. This rule relates to the Committee of European Securities Regulators' (CESR) Guidelines on a common definition of European money market funds (https://www.esma.europa.eu/sites/default/files/library/2015/11/10-049_cesr_guidelines_mmfs_with_disclaimer.pdf).

⁴³ Provided the NURS is made available to retail investors.

⁴⁴ COBS 13.3.4R and COBS 13.3.5G

⁴⁵ See COLL 4.7.3CG. We consider that this is compatible with Article 6(2) of the PRIIPs Regulation.

⁴⁶ Commission Regulation (EU) No 583/2010

NURs and s272-recognised schemes: Scheme Prospectus

- 3.28** Our rules⁴⁷ detail the requirements for firms to draw up and publish a pre-sale scheme prospectus for authorised funds (authorised unit trusts, authorised contractual schemes and investment companies with variable capital (ICVCs)⁴⁸). In relation to funds that are UCITS schemes or EEA UCITS schemes, these provisions will continue to apply as a result of the UCITS Directive. Overseas schemes that apply for individual recognition under s272 of FSMA must provide a prospectus or a similar document giving details of the scheme.
- 3.29** In relation to schemes that are NURs or s272-recognised schemes, we propose to continue to require firms to produce a scheme prospectus (or similar document). This will be in addition to the KID (or NURS-KII document).

NUR and s272-recognised schemes: Simplified Prospectus

- 3.30** In addition to the need to produce a full scheme prospectus, if the scheme is a simplified prospectus scheme⁴⁹, the provisions in the Handbook⁵⁰ apply. This means that a simplified prospectus needs to be produced, published and revised, unless a KFD (or a NURS-KII document if the manager of the NURS has applied for the modification by consent⁵¹ as explained above) is produced instead.
- 3.31** Following the introduction of the KID, the requirement to produce a full scheme prospectus (or similar document for s.272 schemes) will continue to apply to both NURS and s272 schemes. However, we are proposing that there will no longer be a need to produce a simplified prospectus. So, firms will be expected to produce either a KID or a NURS-KII document, and rules and definitions concerning the simplified prospectus and EEA simplified prospectus will be revoked.⁵² As a result, firms will not need to offer professional investors in these types of scheme any document other than the full prospectus.

Q4: Do you agree with our proposed disclosure requirements in relation to NURS and s272 schemes, in particular the proposal to remove the requirement to provide a KFD or simplified prospectus to professional clients?

⁴⁷ See COLL 4.2.2R, 4.2.3R, 4.2.5R and 9.3.3R.

⁴⁸ Also known as open-ended investment companies (OEICs).

⁴⁹ A simplified prospectus scheme is a key features scheme in respect of which a simplified prospectus is produced instead of a KFD (see COBS 13.1.3R).

⁵⁰ COLL 4.6.2R

⁵¹ The previous modification by consent ended on 30 June 2016, and has been extended to 31 December 2016.

⁵² References to 'EEA simplified prospectus' and 'EEA simplified prospectus scheme' have been obsolete since the UCITS KIID was introduced.

Qualified investor schemes: QIS Prospectus

- 3.32** Our rules⁵³ require authorised fund managers of QISs to draw up a prospectus containing specified information⁵⁴ and, prior to the purchase of units, offer this to persons eligible to invest in the QIS. In addition, as a QIS is a packaged product, our rules⁵⁵ also currently require firms to produce a KFD in relation to QIS, for both retail and professional clients.
- 3.33** Most qualified investors will be professional clients, so most sales of units in QIS will be to professional clients. As we take the view that, for these clients, a QIS prospectus provides sufficient information, we propose to remove the requirement for firms to prepare and provide a KFD for professional clients.
- 3.34** If QIS are marketed and sold to retail investors, they will be PRIIPs and firms will be obliged to produce a KID as well as the QIS prospectus. As we do not consider the information requirements under the QIS prospectus can be met in full by producing a KID, the KID will not replace the QIS prospectus and both documents will need to be prepared for retail investors. We are proposing guidance to clarify this⁵⁶.

Q5: Do you agree with our proposed disclosure requirements in relation to QISs, in particular the proposal to remove the requirement to provide a KFD to professional clients?

Full-scope UK AIFM: AIFMD information

- 3.35** Some PRIIPs will be Alternative Investment Funds (AIFs). As such, in addition to the PRIIPs Regulation, measures in FUND that implement the AIFMD will apply in relation to them where the AIF is managed by a full-scope UK AIFM.⁵⁷ These provisions require a full-scope UK AIFM to ensure that, for each UK AIF or EEA AIF it manages, and for each AIF it markets in the EEA, certain specified information is made available to investors before they invest. This requirement applies when the AIF is marketed to professional as well as to retail investors. Currently, some or all of this information may be detailed in a scheme prospectus or, in the case of a non-UCITS retail scheme, a NURS-KII document⁵⁸ or simplified prospectus (or KFD if used).
- 3.36** Following the introduction of the KID, AIFMs will no longer be able to provide a simplified prospectus or KFD to retail investors. And, in relation to NURS, authorised fund managers will have the option to provide a NURS-KII document instead of a KID.⁵⁹ However, AIFMs will still need to disclose the AIF information required by the AIFMD. For PRIIPs that are AIFs, this may be in either a scheme prospectus (which is unaffected by the PRIIPs Regulation) or in another disclosure document that, for retail investors, supplements the KID⁶⁰ (or NURS-KII document if they opt to produce this instead of a KID). We are consulting on guidance at FUND 3.2.4BG to make this clear.

53 COLL 8.3.2R

54 See COLL 8.3.4R

55 See COBS 13

56 See COLL 8.3.2AG

57 FUND 3.2.2R and 3.2.3R

58 If the authorised fund manager of the NURS has applied for the NURS-KII document modification by consent.

59 We are consulting on rules to give NURS managers the option to provide a NURS-KII document instead of a KID until 31 December 2019, relying on the exemption at Article 32(2) of the PRIIPs Regulation

60 Including an Approved Prospectus drafted in accordance with the Prospectus Directive, if applicable.

Q6: Do you agree with our proposal, regarding the disclosure rules relevant to AIFMs, to remove the need to provide a simplified prospectus or KFD following introduction of the KID?

Q7: Do you agree with our proposal to require that firms, in order to comply with the AIFMD where the PRIIP is an AIF, disclose AIF information in either a scheme prospectus or in another disclosure document, that will supplement the KID (or NURS-KII document)?

Full-scope UK AIFM: unauthorised fund documents for retail clients

3.37 At present, our rules⁶¹ require full-scope UK AIFMs that market unauthorised AIFs to retail clients to offer and, if requested, provide additional pre-contractual information to supplement the mandatory disclosures set out in FUND 3.2. Following the introduction of the PRIIPs Regulation, we are consulting on providing guidance⁶² so that such firms are not required to offer or provide information that duplicates information already disclosed in the KID. We expect that fund information will still need to be made available to supplement the contents of the KID.

Small authorised UK AIFM and residual CIS operator: unauthorised fund documents for retail clients

3.38 If an AIFM is a small authorised UK AIFM of an unauthorised AIF or a residual CIS operator it is subject to the disclosure requirements in COBS 18.5. The AIFM must not accept a retail client as an investor in the fund, unless it has taken reasonable steps to offer and, if requested, provide fund documents which adequately describe how the fund is governed. We propose to amend the application of our disclosure rules⁶³, so it is clear to such firms that they are still required to offer and, if requested, produce fund information to retail clients. However, this fund information for retail clients is expected to supplement rather than duplicate the contents of the KID. We are consulting on providing guidance to this effect⁶⁴.

Q8: Do you agree with our proposed rules and guidance concerning the information to be provided to retail clients investing in PRIIPs that are unauthorised AIFs?

61 COBS 18.5.10A R

62 See COBS 18.5.10BG

63 See COBS 18.5.5R and 18.5.10E

64 See COBS 18.5.6AG

Third-country and non-UK issues

- 3.39** We have considered how the new disclosure framework might apply in relation to:
- 1.** PRIIPs produced and/or distributed by third-country (i.e. non-EEA) persons, which are being made available to retail investors in the EEA
 - 2.** PRIIPs produced and/or distributed by EEA persons to non-EEA retail investors
- 3.40** Neither of these scenarios is directly addressed in the text of the PRIIPs Regulation.

Application to non-EEA persons dealing with EEA retail clients

- 3.41** Subject to further clarification from the EU Commission and/or ESAs, our view is that the PRIIPs Regulation does have application to persons outside the EEA dealing with EEA retail clients. Accordingly we consider that a third-country manufacturer or distributor of a PRIIP to retail clients in the EEA (e.g. an AIFM for schemes from the Channel Islands or Isle of Man) will be required to prepare and produce a KID.
- 3.42** In practice this means that before authorised firms (or other persons to whom the PRIIPs Regulation applies) can sell or advise on a PRIIP manufactured outside the EEA to UK retail clients, they will need to provide KIDs to their UK retail clients.
- 3.43** Furthermore, in relation to funds, firms which market or sell non-UK AIFs to retail investors in the UK will need to take account of the guidance provisions we are proposing.⁶⁵ We also propose to amend a direction⁶⁶ to require the operator of a third-country fund, when applying for individual recognition under s272, to provide the KID as part of the information and documents the FCA needs to receive to consider the application.

Application to EEA persons dealing with non-EEA retail clients

- 3.44** Conversely, if the manufacturer or distributor is based in the EEA and targets only non-EEA retail clients, our view is that the PRIIPs Regulation will not apply and no KID will need to be prepared.
- 3.45** We propose to confirm our views on the third country issues identified above in the PS.

Q9: Do you agree with our views of how the requirements of the PRIIPs Regulation might apply to (a) third-country (non-EEA) manufacturers and distributors and (b) EEA manufacturers and distributors producing PRIIPs for, and/or selling PRIIPs to, third-country (non-EEA) retail clients?

⁶⁵ See COLL 9.3.4G and FUND 10.5.13G

⁶⁶ See COLL 9.3.1D

Interaction between the PRIIPs Regulation and the Prospectus Directive

- 3.46** The PRIIPs Regulation requires that a KID is a standalone, generalised document prepared for each investment. However, the regulation provides that a KID may cross-refer to other documents, including prospectuses, if the cross-reference is related to the information required to be included in the KID, or it may refer to where detailed information can be found.⁶⁷
- 3.47** Where a PRIIP is a transferable security which falls within the scope of the Prospectus Directive (PD), the requirements of the PD (including the requirement to publish an Approved Prospectus) will continue to apply, in addition to the PRIIPs Regulation.⁶⁸ To assist issuers, we propose to include guidance in the Prospectus Rules Sourcebook (PR)⁶⁹, which refers to the PRIIPs Regulation.

Q10: Do you agree with our proposal to include guidance in the PR that refers to the requirements of the PRIIPs Regulation?

Insurance-based investment products: Solvency II information

- 3.48** As a result of provisions in Article 185 of the Solvency II Directive, from 1 January 2016, a firm is required to provide specific information for each life policy it effects. This information requirement is currently detailed in our rules⁷⁰. These requirements will apply in addition to the KID required by the PRIIPs Regulation and, although there is some overlap, there is some extra disclosure that will be needed. In order to give firms flexibility, our rules⁷¹ currently indicate that this information can be included in a KFD, KFI or any other document. We plan to retain the effect of this flexible approach in an updated form so it is clear from our rules and guidance⁷² that, in relation to PRIIPs, if the Solvency II Directive information is required and not provided in the KID, then it can be provided in another document.

Q11: Do you agree with our proposal that firms can provide any necessary Solvency II information in a KID or in another document?

Structured deposits

- 3.49** Structured deposits, as defined in MiFID II, will fall within the definition of a PRIIP and a KID will need to be prepared for these retail products. So, we propose to clarify in the Banking: Conduct of Business Sourcebook (BCOBS)⁷³ that, in addition to existing requirements, the PRIIPs Regulation may also be relevant in relation to these types of deposit.

⁶⁷ PRIIPs Regulation, Article 6(2) and (3).

⁶⁸ PRIIPs Regulation, Article 3(1).

⁶⁹ PR1.1

⁷⁰ COBS 13.1.2R and COBS 13 Annex 1R

⁷¹ COBS 13.2.3G

⁷² COBS 13.1.2R, 13.2.3G and 14.2.1R (2)

⁷³ BCOBS 2.4

- 3.50** To avoid confusion, we also propose to amend our Glossary definition of ‘structured deposit’ to align it with the definition in MiFID II. We do not consider that this will have any material impact.⁷⁴

Q12: Do you agree with our proposals to amend the definition of ‘structured deposit’, to align with MiFID II, and to refer in BCOBS to the requirements of the PRIIPs Regulation?

Optional additional disclosure: Personalised projections

- 3.51** Current provisions⁷⁵ detail how firms must give ‘standardised deterministic projections’ which can be either ‘generic projections’ or ‘personal projections’. The PRIIPs Regulation requires the presentation of performance scenarios⁷⁶, but does not provide for personalised projections that reflect the terms of a particular contract with, or to be offered to, a particular client.
- 3.52** We consider the provision of personalised projections to be compatible with the PRIIPs Regulation. Further, as they may help improve investors’ understanding of the potential outcomes relevant to them, we propose to amend our rules to continue to allow (but not require) firms to provide personalised projections, separate to the KID, prepared in accordance with our rules on projections or future performance (as relevant)⁷⁷.

Q13: Do you agree that we should clarify firms have the option to provide personalised projections?

Optional additional disclosure: combined documents

- 3.53** Our rules⁷⁸ currently allow firms to combine documents (KFDs, Simplified Prospectuses or EEA Simplified Prospectuses) when schemes are offered through a platform service, so long as the combined document clearly describes the difference between the schemes. These are usually personalised and relate to the actual planned investments.
- 3.54** We consider the post-contractual provision of combined documents to be outside the scope of the PRIIPs Regulation. Further, as they may help to improve investors’ understanding of the potential outcomes relevant to them, we would like to continue to allow (but not require) firms to provide information, separate to the KID, that combines information about several products offered at the same time (such as via a platform service).
- 3.55** So, while standalone KIDs must be prepared and made available, if they wish to do so firms can also, post-contractually, provide a document combining information about more than one PRIIP.

⁷⁴ An amended definition of ‘structured deposit’ may impact slightly on the way structured deposits are excluded from the new cash savings rules mentioned in PS15/27, but we don’t expect this impact to be material.

⁷⁵ COBS 13.4, COBS 13.5 and COBS 13 Annex 2.

⁷⁶ See Article 8, Para 3(d).

⁷⁷ See COBS 13.5

⁷⁸ COBS 13.1.4R

Information on adviser charges

- 3.56** Firms are required, if relevant, to provide information on the likely effect of facilitating payment of a new or increased adviser charge from an in-force packaged product.⁷⁹ We consider these provisions to be relevant in relation to products that are PRIIPs, so a client can understand the effect of adviser charges on a PRIIP investment. We propose to clarify that they remain applicable in relation to facilitation arrangements affecting both new and in-force packaged products.

Guidance on firms' use of colours

- 3.57** The PRIIPS Regulation imposes a specific requirement⁸⁰ on firms to use colours that do not diminish the comprehensibility of the information, if the KID is printed or photocopied in black and white.
- 3.58** As future transactions (for both PRIIPs and non-PRIIPs) may involve investors transacting via mobile devices (such as laptops, tablets or smart phones), and subsequently printing their documentation on black and white printers, we consider this provision on the use of colours to be something that should apply in relation to both PRIIPs and non-PRIIPs. So, we are proposing to include guidance on the rule⁸¹ that requires firms to ensure information does not disguise, diminish or obscure important items, statements or warnings, to clarify how firms should use colours in their disclosure documents. This guidance will state that firms should ensure their disclosure documents use colours that can be printed or photocopied in black and white without diminishing comprehensibility.

Q14: Do you agree that firms should ensure their disclosure documents use colours that can be printed or photocopied in black and white without diminishing comprehensibility?

Consequential amendments and modification of the general application rule

- 3.59** As a result of the proposals outlined above, we are also proposing to make a small number of consequential amendments to provisions in the FCA Handbook, to ensure they remain comprehensible and coherent⁸². In addition, we propose to modify the general application rule in COBS so that it is clear a firm will not be subject to COBS to the extent it would be contrary to the UK's obligations in respect of the PRIIPs Regulation.

Q15: Do you have any comments on the consequential amendments proposed or the proposal to modify the COBS general application rule?

⁷⁹ COBS 13.6.1R and COBS 14.2.1CR

⁸⁰ PRIIPs Regulation Article 6(5)

⁸¹ COBS 4.5.2R(4)

⁸² See GEN 4.2, COBS 4.7.3G, COBS 4.13.1R, COBS 6.4.3R(4), COBS 15.2, SUP 12.3 and the 'Holloway policy special applications conditions' Glossary definition.

4.

Interaction between the PRIIPs Regulation and MiFID II

- 4.1** As set out in the introduction, regulation derived from EU legislation will remain applicable in the UK until any legislative changes are made, changes which will be a matter for the UK Government and Parliament. Therefore, in this chapter, we set out how we see disclosure requirements in the PRIIPs Regulation and MiFID II interacting.
- 4.2** Firms have needed to disclose their costs and charges to clients for some time. Further, MiFID⁸³ outlined how and when disclosure of costs and charges should be made. MiFID II adds to and expands on these disclosure requirements. In particular, MiFID II requires the disclosure by investment firms to all clients (retail clients, professional clients and eligible counterparties) of information about costs in connection with an investments service or financial instrument.
- 4.3** The PRIIPs Regulation requires a manufacturer of a PRIIP to disclose the costs associated with an investment in the PRIIP, both the direct and indirect costs.⁸⁴ In order that MiFID investment firms can fulfil their obligations in relation to the disclosure of costs, they need reliable information about costs and charges from the manufacturer of the product they are distributing. MiFID II indicates that firms can rely on costs and charges information that a manufacturer or issuer of a financial instrument is obliged to publish under EU law⁸⁵. We take this to mean that firms should be able rely on the content (but not completeness) of the costs and charges information published in, for example, an Approved Prospectus, a UCITS KIID, or a KID.

83 MiFID Implementing Directive, Article 33

84 PRIIPs Regulation, Article 8(3)(f)

85 Recital 78 of MiFID II

Annex 1

List of questions

- Q1:** Do you agree with the proposal to delete or amend the KFD and KFI disclosure requirements in COBS so they no longer apply in relation to PRIIPs for which a KID must be prepared?
- Q2:** Do you agree with our proposals in relation to disclosures for NURs, in particular the proposal to provide firms with the option of producing either a NURS-KII document or KID and our proposals about the contents of the NURS-KII document?
- Q3:** Do you agree with our proposals for rules and guidance concerning NURs that are money-market funds or feeder funds?
- Q4:** Do you agree with our proposed disclosure requirements in relation to NURs and s272 schemes, in particular the proposal to remove the requirement to provide a KFD or simplified prospectus to professional clients?
- Q5:** Do you agree with our proposed disclosure requirements in relation to QISs, in particular the proposal to remove the requirement to provide a KFD to professional clients?
- Q6:** Do you agree with our proposal, regarding the disclosure rules relevant to AIFMs, to remove the need to provide a simplified prospectus or KFD following introduction of the KID?
- Q7:** Do you agree with our proposal to require that firms, in order to comply with the AIFMD where the PRIIP is an AIF, disclose AIF information in either a scheme prospectus or in another disclosure document, that will supplement the KID (or NURS-KII document)?
- Q8:** Do you agree with our proposed rules and guidance concerning the information to be provided to retail clients investing in PRIIPs that are unauthorised AIFs?
- Q9:** Do you agree with our views of how the requirements of the PRIIPs Regulation might apply to (a) third-country (non-EEA) manufacturers and distributors and (b) EEA manufacturers and distributors producing PRIIPs for, and/or selling PRIIPs to, third-country (non-EEA) retail clients?

- Q10:** Do you agree with our proposal to include guidance in the PR that refers to the requirements of the PRIIPs Regulation?
- Q11:** Do you agree with our proposal that firms can provide any necessary Solvency II information in a KID or in another document?
- Q12:** Do you agree with our proposals to amend the definition of 'structured deposit', to align with MiFID II, and to refer in BCOBS to the requirements of the PRIIPs Regulation?
- Q13:** Do you agree that we should clarify firms have the option to provide personalised projections?
- Q14:** Do you agree that firms should ensure their disclosure documents use colours that can be printed or photocopied in black and white without diminishing comprehensibility?
- Q15:** Do you have any comments on the consequential amendments proposed or the proposal to modify the COBS general application rule?
- Q16:** Do you have any comments on our CBA?
- Q17:** Do you have any comments on the compatibility statement?

Annex 2

Cost benefit analysis

1. In this CP, we propose to delete or amend certain disclosure provisions in the FCA Handbook that are no longer required due to the introduction of the PRIIPs Regulation and the requirement to produce a KID. This CP also proposes maintaining certain existing disclosure rules, and making minor amendments to provisions in the FCA Handbook to align them with the approach adopted in the PRIIPs Regulation.

Impact on firms

2. As the PRIIPs Regulation is directly applicable, any costs involved in complying with this regulation are not considered in this paper.
3. In relation to the costs or benefits arising, due to our deleting or amending Handbook provisions superseded by the requirement to prepare, publish and provide a KID, we consider these proposals likely to result in a small reduction in costs for firms. For example, firms will no longer need to prepare KFDs for packaged products that are PRIIPs, or Simplified Prospectuses for funds, as other documents will take their place.
4. In relation to the costs involved in making the proposed minor amendments to the Handbook¹, to align with the approach adopted in the PRIIPs Regulation, these will not be substantially different from the status quo.
5. Our view is therefore that the costs of these proposals will be of no or minimal significance if compared with any reasonable counterfactual and that no CBA is required.
6. In relation to the costs or benefits arising should we allow managers of NURS the option to choose to produce either a KID or continue to produce a NURS-KII document, we consider that this is likely to result in benefits for firms. Firms producing a NURS-KII document will not need to produce a KID from 31 December 2016, but will have until 31 December 2019 to prepare for the introduction of the KID, at a time that suits them. In our view, assuming that the one-off cost of producing a KID is around £10,000², and applying a discount rate of 3.5%³, we estimate the benefit of deferring compliance with the KID requirements for three years to be £980.69⁴ for each fund.

¹ Regarding firms' use of colours

² Based on the estimated cost of 10,100 Euros given in the European Commission's Impact Assessment (see p.95 eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012SC0187&from=EN) and taking account of inflation and exchange rates.

³ In line with the HMT Green Book, www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf.

⁴ $10,000/(1+3.5\%)^3 = £9,019.4$.

7. As our data indicates around 1,000 funds or sub-funds are affected (for which NURS-KII documents are currently produced), ignoring economies of scale that may arise if one firm manages several funds, we estimate this policy will result in an aggregate benefit of £980,600.

Impact on consumers

8. Consumers will lose the benefit of receiving disclosure documents in the various current formats. However, from 31 December 2016, they will receive a KID (or NURS-KII document) and supplementary disclosure material. This should provide equivalent or improved information. We therefore do not consider that the impact of these proposals on consumers is likely to result in significant benefits or costs.

Q16: Do you have any comments on our CBA?

Annex 3

Compatibility statement

Compatibility with the FCA's general duties

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this CP, including an explanation of the FCA's reasons for concluding that the proposals in this consultation are compatible with certain requirements under FSMA.
2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is (a) compatible with its general duty, under section 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and (b) its general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. The FCA is also required by section 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.
3. We believe the proposals set in this CP are compatible with our duties under FSMA, section 1B. Further, the FCA has had regard to the regulatory principles set out in FSMA, section 3B. In particular, in considering the regulatory approach to propose in relation to NURS, we have considered the principle that a burden or restriction should be proportionate to the benefits.

Compatibility with the FCA's regulatory objectives

4. This CP proposes deleting or amending disclosure provisions in the FCA Handbook to reflect the introduction of the directly applicable PRIIPs Regulation. The aim is to ensure no superfluous, contradictory or conflicting disclosure rules are in place.
5. We consider these proposals to advance our operational objective of consumer protection. This is because the aim is to ensure the disclosure framework applying, following the introduction of the KID, is clear and likely to enhance the quality of firms' disclosure to retail clients in relation to PRIIPs.

Expected effect on mutual societies

6. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. We expect the impact on mutual societies to be similar to the impact on other firms that manufacture, advise on, or sell PRIIPs.

Compatibility with the duty to promote effective competition in the interests of consumers

7. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers. The proposals help to create a framework that will help consumers compare competing products more easily, and be in a position to make better-informed decisions.

Equality and diversity

8. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conducted an equality impact assessment to ensure the equality and diversity implications of our policy proposals were considered, see paragraphs 1.18 to 1.20.

Legislative and Regulatory Reform Act 2006

9. Under the Legislative and Regulatory Reform Act 2006 (LRRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules).
10. We have had regard to the principles in the LRRRA and consider that the proposals have regard to the five LRRRA principles that regulatory activities should be carried out in a way which is: transparent; accountable; proportionate; consistent; and targeted only at cases in which action is needed. We have also had regard to the Regulators' Code. In particular the requirement for proportionate and targeted regulatory activity. We have sought to enhance firms understanding by explaining how the disclosure framework will apply after the application of the PRIIPs Regulation on 31 December 2016, and we have sought to minimise costs for firms by providing flexibility where we can.

Q17: Do you have any comments on the compatibility statement?

Appendix 1

Draft Handbook text

**PACKAGED RETAIL AND INSURANCE-BASED INVESTMENT PRODUCTS
REGULATION INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in:
- (1) the Financial Services and Markets Act 2000 (the “Act”):
- (a) section 137A (General rule-making power);
 - (b) section 137R (Financial promotion rules);
 - (c) section 137T (General supplementary powers);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 247 (Trust scheme rules);
 - (f) section 248 (Scheme particular rules);
 - (g) section 261I (Contractual scheme rules);
 - (h) section 261J (Contractual scheme particular rules); and
 - (i) section 274 (Application for recognition of individual schemes); and
- (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2011/128).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2016.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Banking: Conduct of Business sourcebook (BCOBS)	Annex D
Supervision manual (SUP)	Annex E
Collective Investment Schemes sourcebook (COLL)	Annex F
Investment Funds sourcebook (FUND)	Annex G
Prospectus Rules sourcebook (PR)	Annex H

Notes

- E. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- F. This instrument may be cited as the Packaged Retail and Insurance-based Investment Products Regulation Instrument 2016.

By order of the Board
[*date* 2016]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position (this text is not underlined).

<i>key information document</i>	a <i>document</i> that is drawn up for a <i>PRIIP</i> in accordance with the <i>PRIIPs Regulation</i> .
<i>KII-compliant NURS</i>	a <i>non-UCITS retail scheme</i> where the <i>authorised fund manager</i> or <i>ICVC</i> has prepared a <i>NURS-KII document</i> instead of a <i>key information document</i> .
<i>non-PRIIP packaged product</i>	a <i>packaged product</i> other than: <ol style="list-style-type: none"> (1) a <i>packaged retail and insurance-based investment product (PRIIP)</i>; and (2) a <i>unit</i> in a <i>regulated collective investment scheme</i>.
<i>NURS-KII document</i>	a <i>document</i> prepared for a <i>retail client</i> in a <i>non-UCITS retail scheme</i> which contains the <i>key investor information</i> required by <i>COLL 4.7</i> (Key investor information and marketing communications).
<i>packaged retail and insurance-based investment product</i>	a product that is: <ol style="list-style-type: none"> (1) a <i>packaged retail and insurance-based investment product</i> within the meaning of article 4(3) of the <i>PRIIPs Regulation</i>; and (2) not exempt from the application of the <i>PRIIPs Regulation</i> under articles 2(2) or 32 thereof.
<i>PRIIP</i>	a <i>packaged retail and insurance-based investment product</i> .
<i>PRIIPs Regulation</i>	Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs). [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R1286]

Amend the following definitions as shown.

<i>Holloway policy</i>	conditions that will be met by a <i>firm</i> where:
------------------------	---

special application conditions

- (a) in the case of a *firm* which underwrites *Holloway sickness policies*:
- (i) all of the *Holloway sickness policies* of a particular type underwritten by the *firm* show a projected maturity value of not more than 20% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of COBS 13.1.1R(2) (or would have shown such a projected maturity value but for the fact that no *key features illustrations* are required to be prepared because the *Holloway sickness policies* are *PRIIPs* and to which COBS 13.1.1R(2) does not therefore apply); except that no more than 5% of the relevant *Holloway sickness policies* underwritten by the *firm* may show a projected maturity value of between 20% and 25% of accumulated *premiums* at the mid-rate projection in the *key features illustrations* prepared for the purposes of COBS 13.1.1R(2) (or which would have been prepared but for the fact that such *Holloway sickness policies* are *PRIIPs*);

...

...

key investor information

- (1) (for a *UCITS*) key information for investors on the essential elements of a *UCITS scheme* or *EEA UCITS scheme*, as detailed in article 78 of the *UCITS Directive* and in the *KII Regulation*.
- (2) (for a *non-UCITS retail scheme*) key information for investors on the essential elements of a *KII-compliant NURS* as detailed in *COLL 4.7.2R (Key investor information)*.

key investor information document

a short *document* containing *key investor information* for investors in a *UCITS scheme* on the essential elements of a *UCITS* the *scheme*, as detailed in *COLL 4.7.2R (Key investor information)*.

structured deposit

~~a *deposit* paid on terms under which any interest or premium will be paid, or is at risk, according to a formula which involves the performance of:~~

- ~~(1) an index (or combination of indices) (other than money market indices);~~
- ~~(2) a stock (or combination of stocks); or~~
- ~~(3) a commodity (or combination of commodities).~~

a deposit which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula

involving factors such as:

- (a) an index or combination of indices, excluding variable rate deposits whose return is directly linked to an interest rate index such as EURIBOR or LIBOR;
- (b) a financial instrument or combination of financial instruments;
- (c) a commodity or combination of commodities or other physical or non-physical non-fungible assets; or
- (d) a foreign exchange rate or combination of foreign exchange rates.

[Note: article 4(1)(43) of *MiFID II*]

Delete the following definitions.

<i>EEA simplified prospectus</i>	a marketing <i>document</i> which meets the requirements of Article 28 of the UCITS Directive (No 85/611/EEC) (as at 30 June 2011).
<i>EEA simplified prospectus scheme</i>	an <i>EEA UCITS scheme</i> which is a <i>recognised scheme</i> under section 264 of the <i>Act</i> (Schemes constituted in other EEA States) and which is permitted by the laws and regulations of its <i>Home State</i> to market its <i>units</i> on the basis of an <i>EEA simplified prospectus</i> .
<i>key features scheme</i>	a <i>scheme</i> that is not: <ul style="list-style-type: none"> (a) a <i>UCITS scheme</i> or an <i>EEA UCITS scheme</i>; (b) a <i>qualified investor scheme</i>; or (c) a recognised scheme under section 264 of the <i>Act</i> (Schemes constituted in other EEA States).
<i>simplified prospectus</i>	a marketing <i>document</i> containing information about a <i>simplified prospectus scheme</i> , which complies with <i>COLL 4.6.2R</i> (Production and publication of simplified prospectus) and <i>COLL 4.6.8R</i> (Table: Contents of the simplified prospectus).
<i>simplified prospectus scheme</i>	a <i>key features scheme</i> in respect of which a <i>simplified prospectus</i> has been, or will be, produced instead of a <i>key features document</i> (see <i>COBS 13.1.3R(2)</i>).

Annex B**Amendments to the General Provisions (GEN)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Statutory status disclosure

...

4.2 Purpose

...

4.2.2 G There are other pre-contract information requirements outside this chapter, including:

...

(2A) for PRIIPs, a requirement under the PRIIPs Regulation to provide retail investors (as defined in that Regulation) with a key information document;

...

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application

...

1 Annex 1 Application (see COBS 1.1.2R)

Part 1: What?

Modifications to the general application rule according to activities

...		
8.		<u>PRIIPs Regulation</u>
<u>8.1</u>	<u>R</u>	<u>The <i>general application rule</i> is modified so that a <i>firm</i> will not be subject to <i>COBS</i> to the extent that it would be contrary to the <i>United Kingdom's</i> obligations in respect of the <i>PRIIPs Regulation</i>.</u>

...

4 Communicating with clients, including financial promotions

...

4.5 Communicating with retail clients

...

General rule

...

4.5.2A G When communicating a *document* that uses colour, *firms* should ensure that the use of such colour does not disguise, diminish or obscure important information if that *document* is printed or photocopied in black and white.

...

4.6 Past, simulated past and future performance

...

Past performance

...

4.6.4B G ...

- (2) This *guidance* does not apply to a *prospectus*, *key investor information document* or ~~*simplified prospectus*~~ *NURS-KII document* drawn up in accordance with *COLL*.

...

4.7 Direct offer financial promotions

...

Guidance

...

4.7.3 G (1) ...

- (2) A *firm* communicating or approving a *direct offer financial promotion* may also be subject to:

- (a) the *rules* on providing product information in *COBS* 14.2, including the exceptions in *COBS* 14.2.5R to 14.2.9R; and
- (b) the requirement in the *PRIIPs Regulation* to provide a *key information document*.

...

4.13 UCITS

Application

4.13.1 R ...

- (2) This section does not apply to:
- (a) ...
- (b) the *instrument constituting the fund*, the *prospectus*, the *key investor information* (~~or alternatively the *simplified prospectus* or *EEA simplified prospectus*~~) or the periodic reports and accounts of either a *UCITS scheme* or an *EEA UCITS scheme*.

...

...

6 Information about the firm, its services and remuneration

...

6.4 Disclosure of charges, remuneration and commission

...

Disclosure of commission (or equivalent) for packaged products

6.4.3 R ...

(4) This *rule* does not apply if:

...

(c) the *firm* provides the *client* with a *key features document*, a ~~*simplified prospectus*~~, a *key investor information document* or ~~an~~ an EEA key investor information document or a NURS-KII document, in accordance with COBS 14, provided that the *firm* discloses to the *client* the actual amount or value of *commission* or *equivalent* within five *business days* of effecting the transaction.

...

...

6 Annex 6E Calculating commission equivalent

This table forms part of COBS 6.4.6E.

Calculating commission equivalent	
...	
	Part C: Services
...	
7.	The following costs should be excluded:
	...
(c)	costs of developing and maintaining computer systems for the provision of <i>projections</i> of benefits, <i>client-specific key features documents</i> , <i>simplified prospectuses</i> or other product information;
	...
...	

...

13 Preparing product information

13.1 The obligation to prepare product information

Non-PRIIP packaged products, cash-deposit ISAs and cash-deposit CTFs

- 13.1.1 R A *firm* must prepare:
- (1) a *key features document* for each ~~packaged product non-PRIIP~~ packaged product, cash-deposit ISA and cash-deposit CTF it produces; and
 - (2) a *key features illustration* for each ~~packaged product non-PRIIP~~ packaged product it produces;

in good time before those *documents* have to be provided.

PRIIPs

- 13.1.1A G (1) The *PRIIPs Regulation* requires the manufacturer of a *PRIIP* to draw up a *key information document* in accordance with the *PRIIPs Regulation* before that *PRIIP* is made available to retail investors (as defined in the *PRIIPs Regulation*).
- [Note: article 5 of the *PRIIPs Regulation*]
- (2) Since the *PRIIPs Regulation* imposes directly applicable requirements in relation to the preparation of product information for *PRIIPs*, *COBS* 13.1 to 13.4 do not apply to a *firm* in relation to the manufacture of a *PRIIP*. *COBS* 13.5 and *COBS* 13.6 continue to apply where relevant.

Application of the *PRIIPs Regulation* to funds

- 13.1.1B G (1) A *UCITS management company* is exempt from the *PRIIPs Regulation* until 31 December 2019 (see article 32(1) of the *PRIIPs Regulation*). These *firms* should continue to publish a *key investor information document* until that date (see *COLL* 4.7).
- (2) (a) A manager of a non-*UCITS fund* offered to retail investors is able to benefit from this exemption where a Member State applies rules on the format and content of the *key investor information document* in articles 78 to 81 of the *UCITS Directive* to that *fund* (see article 32(2) of the *PRIIPs Regulation*).
 - (b) The *FCA* has made rules for authorised fund managers of non-*UCITS retail schemes* to give them the choice of benefiting from this exemption (see *COLL* 4.7).
 - (c) An authorised fund manager of a non-*UCITS retail scheme* may, until 31 December 2019, draw up either:
 - (i) a *key information document* in accordance with the

PRIIPs Regulation; or

(ii) a NURS-KII document.

Information on life policies

13.1.2 R ...

13.1.2A G A firm that effects life policies which are also PRIIPs should consider whether it is also required to draw up a key information document in respect of those life policies in accordance with the requirements of the PRIIPs Regulation.

Exceptions

13.1.3 R A firm is not required to prepare:

...

(2) a key features document for:

(a) ~~a unit in a UCITS scheme or a simplified prospectus scheme; or~~

(b) ~~a unit in an EEA UCITS scheme which is a recognised scheme; or~~

(c) ~~a unit in a key features scheme, if it prepares a simplified prospectus, or the information appears with due prominence in another document, instead; or~~

(d) ~~a stakeholder pension scheme, or personal pension scheme that is not a personal pension policy, if the information appears with due prominence in another document; or~~

(3) a key features illustration:

(a) ~~for a unit in a UCITS scheme or a simplified prospectus scheme; or~~

(b) ~~for a unit in an EEA UCITS scheme which is a recognised scheme; or~~

(c) ~~if it includes the information from the key features illustration in a key features document; or~~

(d) ~~for a packaged product which, at the end of its fixed term, provides for the return of the initial capital invested and a specified level of growth linked by a pre-set formula to the performance of a specified asset or index or a combination of assets or indices~~

...

- 13.1.4 R ~~A single *document* prepared for more than one *key features scheme* or *simplified prospectus scheme* may combine more than one *key features document*, *simplified prospectus* or *EEA simplified prospectus* or any combination of them, if the *schemes* are offered through a *platform service* and the *document* clearly describes the difference between the *schemes*.~~
[deleted]

13.2 Product information: production standards, form and contents

...

- 13.2.1A G When a *firm* prepares *documents* or information for a *life policy*, *personal pension* or *stakeholder pension* in accordance with this chapter, the *firm* should:

...

- (2) taking into account the means of printing or display, consider whether the following can be used to improve the *client's* understanding of the product, in particular:

...

- (b) the type size, line width, line spacing, and use of white space;
and

- (3) ensure that the use of colour in a *document* does not disguise, diminish or obscure important information if that *document* is printed or photocopied in black and white.

...

- 13.2.3 G The *Solvency II Directive information* can be included in one or more of a *key features document*, a *key features illustration*, (where permitted by the *PRIPs Regulation*) a *key information document* or any other *document*.

...

13.3 Contents of a key features document

...

Additional requirements for ~~packaged products~~ non-PRIIP packaged products

...

~~Money market funds~~

- 13.3.3 R ~~A key features document for a short-term money market fund, a money market fund or a qualifying money market fund must include a statement identifying it as such a fund and a statement that the authorised fund's investment objectives and policies will meet the conditions of the definition of short-term money market fund, money market fund or qualifying money market fund, as appropriate. [deleted]~~

Feeder NURS

- 13.3.4 R ~~A key features document for a feeder NURS must include:~~
- ~~(1) a statement identifying it as such a scheme;~~
 - ~~(2) information specific to the feeder NURS and its qualifying master scheme which enables investors to understand the qualifying master scheme's key particulars; and~~
 - ~~(3) a description and explanation of any material differences between the risk profile of the feeder NURS and that of the qualifying master scheme. [deleted]~~
- 13.3.5 G ~~When producing the key features document, the authorised fund manager of the feeder NURS should have due regard to the provisions in COLL 4.6.8R (Contents of the simplified prospectus) in terms of additional information appropriate to a feeder NURS and its qualifying master scheme. In particular, the appropriate charges information required by COBS 13.4.1R and COBS 13 Annex 3 (Charges) should represent the aggregate of the charges of the feeder NURS and its qualifying master scheme as disclosed in the feeder NURS' most up-to-date prospectus. [deleted]~~

13.4 Contents of a key features illustration

- 13.4.1 R ~~A key features illustration must include appropriate charges information, information about any interest that will be paid to clients on money held within a personal pension scheme bank account and, if it is a packaged product non-PRIIP packaged product which is not a financial instrument:~~

...

...

13.5 Preparing product information: other projections

...

Projections: other situations

- 13.5.2 R ~~A firm that communicates a projection for a packaged product which is not~~

a *financial instrument*:

(1) which is either:

(a) a non-PRIIP packaged product for which a *key features illustration* is not required to be provided; or

(b) a PRIIP where the *projection* is not in the *key information document*; and

(2) which is not an in-force *packaged product*;

must ensure that such a *projection* is either a *standardised deterministic projection* or a *stochastic projection* in accordance with COBS 13 Annex 2.

13.5.2A G Where a firm communicates a projection for a packaged product that is a financial instrument, the firm should consider the future performance rule (COBS 4.6.7R).

...

13.6 Preparing product information: ~~changes to adviser and consultancy charges~~

13.6.1 R A firm that agrees to ~~start facilitating~~ facilitate the payment of an *adviser charge* or *consultancy charge*, or an increase in such a charge, from ~~an~~ a new or in-force packaged product, must prepare sufficient information for the *retail client* to be able to understand the likely effect of that facilitation, in good time before it takes effect.

13.6.2 G Where a firm agrees to facilitate the payment of an adviser charge or consultancy charge for a new non-PRIIP packaged product, it will satisfy the rule in COBS 13.6.1R by providing the appropriate charges information in accordance with COBS 13 Annex 4.

...

13 Charges information for a ~~packaged product~~ non-PRIIP packaged product

Annex 3

(except for a personal pension scheme and a stakeholder pension scheme where adviser charges or consultancy charges are to be facilitated by the product)

This annex belongs to COBS 13.4.1R (Contents of a key features illustration)

...

2.2 The effect of charges table:

...

- (2) for any other ~~packaged product~~ non-PRIIP packaged product must be in the following form:

...

...

14 Providing product information to clients

14.1 Interpretation

14.1.1 R In this chapter:

- (1) ...
- (2) (except in relation to the requirements under the *PRIIPs Regulation*) ‘sell’ includes ‘sell, personally recommend or arrange the sale of’ in relation to a *designated investment* and equivalent activities in relation to a *cash-deposit ISA* and *cash-deposit CTF*.

14.2 Providing product information to clients

Providing information about PRIIPs

14.2.-1 G (1) The *PRIIPs Regulation* requires a *person* who advises on, or sells, a *PRIIP* to provide a retail investor (as defined in the *PRIIPs Regulation*) with the *key information document* for that *PRIIP*.

[Note: article 13 of the *PRIIPs Regulation*]

- (2) Since the *PRIIPs Regulation* imposes directly applicable requirements in relation to the provision of information about *PRIIPs*, this chapter does not apply to a *firm* when it is advising on, or selling, a *PRIIP*.
- (3) A *firm* that sells a *life policy* that is also a *PRIIP* must provide the *Solvency II Directive information*, as required by *COBS 14.2.1R(2)*. Some or all of this information may be included in a *key information document* if this is required to be provided by, and such inclusion is permitted under, the *PRIIPs Regulation*.

The provision rules for other products

14.2.1 R A *firm* that sells:

- (1) a ~~packaged product~~ non-PRIIP packaged product to a retail client,

must provide a *key features document* and a *key features illustration* to that *client* (unless the *packaged product* is a *unit* in a *UCITS scheme*, *simplified prospectus scheme* or an *EEA UCITS scheme* which is a *recognised scheme*);

...

(5) ~~a unit in a *simplified prospectus scheme* to a *client*, must offer the *scheme's current simplified prospectus* to that *client*. In addition, if the *client* is a *retail client* present in the *EEA*, the *firm* must provide the *simplified prospectus* to the *client* together with:~~

- ~~(a) enough information for the *client* to be able to make an informed decision about whether to hold the *units* in a *wrapper* (if the *units* will, or may, be held in that way); and~~
- ~~(b) information about the three types of *CTF* that are generally available (*stakeholder CTFs*, *cash deposit CTFs* and *security-based CTFs*), and the type of *CTF* the *firm* is offering (if the *units* will, or may, be held in a *CTF*); [deleted]~~

(5A) a unit in a *KII-compliant NURS* must provide the following to a *retail client*:

- (a) a copy of the *scheme's NURS-KII document* and (unless already provided) the information required by *COBS* 13.3.1R(2) (General requirements); and
- (b) if that *client* is present in the *EEA*, enough information for the *client* to be able to make an informed decision about whether to hold the *units* in a *wrapper* (if the *units* will, or may, be held in that way);

...

(7) a unit in a *UCITS scheme*, or in an *EEA UCITS scheme* which is a *recognised scheme*, to a *client*, must:

- (a) provide a copy of the *scheme's key investor information document* or, as the case may be, *EEA key investor information document* to that *client*; and
- (b) where the *client* is a *retail client*, provide separately, (unless already provided) the information required by *COBS* 13.3.1R (2) (General requirements) and, if that *client* is present in the *EEA*, the information required by (5)(a) and (b); (5A)(b).

(8) where the *operator* of a *non-UCITS retail scheme* has a dispensation from the *FCA* in the form of a *general waiver* by consent under which it may market *units* of the *scheme* on the basis of a *key investor information document* (as modified by the *general waiver direction*, a "*NURS KII document*"), rather than on the basis of a *key features document* or *simplified prospectus*, a *firm* that sells *units* in the *scheme*

~~must comply with its obligations under this rule by:~~

- ~~(a) providing the *retail client* with the relevant NURS – KII document; and~~
- ~~(b) offering any *client* that is not a *retail client* the relevant NURS – KII document;~~

~~on condition that it complies with each of the other rules in this section in relation to the provision of the document, as if references in those rules to a “key features document” or “simplified prospectus” were a reference to the “NURS KII document”. [deleted]~~

...

Provision of key investor information document or NURS-KII document

- 14.2.1A R (1) This rule applies to an *authorised fund manager* of a *UCITS scheme* or a *KII-compliant NURS* that is either an *authorised unit trust*, *authorised contractual scheme* or an *ICVC*, and an *ICVC* that is a *UCITS scheme* or *KII-compliant NURS*.
- (2) An *authorised fund manager* and an *ICVC* in (1) that sells *units* in a *UCITS scheme* or a *KII-compliant NURS* directly, or through another natural or legal *person* who acts on its behalf and under its full and unconditional responsibility, must ensure that investors are provided with the *key investor information document* for the *UCITS scheme* or the *NURS-KII document* for the *KII-compliant NURS*.
- (3) An *authorised fund manager* and an *ICVC* in (1) that does not sell *units* in a *UCITS scheme* or a *KII-compliant NURS* directly, or through another natural or legal *person* who acts on its behalf and under its full and unconditional responsibility, must ensure that the *key investor information document* for the *UCITS scheme* or the *NURS-KII document* for the *KII-compliant NURS* is provided on request to product manufacturers and intermediaries selling, or advising investors on, potential *investments* in those *UCITS schemes* or *KII-compliant NURS* or in products offering exposure to them.
- (4) The *key investor information document* or the *NURS-KII document* must be provided to investors free of charge.
- (5) An *authorised fund manager* and an *ICVC* in (1) may, instead of providing the *key investor information document* or *NURS-KII document* to investors in paper copy in accordance with (2), provide it in a *durable medium* other than paper or by means of a website that meets the *website conditions*, in which case *the authorised fund manager* and *ICVC* must:
- (a) deliver a paper copy of the *key investor information document* or *NURS-KII document* to the investor on request and free of

charge; and

- (b) make available an up-to-date version of the *key investor information document* or *NURS-KII document* to investors on the website of the *ICVC* or *authorised fund manager*.

[**Note:** articles 80 and 81 of the *UCITS Directive*]

...

14.2.1C R A *firm* that arranges to ~~start the facilitation of~~ facilitate the payment of an adviser charge or consultancy charge, or an increase in, ~~an adviser charge or consultancy charge~~ such a charge from an in-force *packaged product*, must provide to the *retail client* sufficient information for the *retail client* to be able to understand the likely effect of that facilitation.

14.2.1D G Where a *firm* arranges to facilitate the payment of an *adviser charge* or *consultancy charge* for a new *non-PRIP packaged product*, the information required by *COBS* 14.2.1CR should be included in the *key features illustration* (see *COBS* 13 Annex 4).

...

Exception to the provision rules: key features documents, ~~simplified prospectuses~~ and key investor information documents

14.2.5 R A *firm* is not required to provide:

...

- (3) the *Solvency II Directive information*, if another *person* is required to provide that information by the *rules* of another *EEA State*; ~~;~~
- (4) ~~a *simplified prospectus* if:~~
- (a) ~~[deleted]~~
- (b) (i) ~~the *client* is buying or investing in response to a *direct offer financial promotion* without receiving a *personal recommendation* to buy or invest; and~~
- (ii) ~~the *firm* offers an up to date copy of the *simplified prospectus* to the *client* and provides materially the same information to the *client* in some other way. [deleted]~~

...

...

Exception to the provision rules: key features documents and key features

illustrations

14.2.7 R A *firm* is not required to provide a *key features document* or a *key features illustration* for:

(1) ~~A *key features scheme* if it provides a *simplified prospectus* instead;~~
[deleted]

...

...

Exception to the provision rules: *key features documents*, *key features illustrations*, ~~*simplified prospectuses*~~ and *key investor information documents* and NURS-KII documents

14.2.9 R A *firm* is not required to provide a *key features document* ~~;~~ or a *key features illustration* ~~or a *simplified prospectus* for a *key features scheme* or *simplified prospectus scheme*~~ if:

...

(3) the sale is *arranged* or *personally recommended* by an *investment manager* and the *client* has agreed that a *key features document* ~~or *simplified prospectus*~~ is not required; ~~or~~ .

(4) ~~a *retail client* is purchasing a holding in a *scheme* in which the *client* already has a holding, or the *client* is switching from one class of *shares* or *units* to another in the same *scheme*, and the relevant *document* has already been provided to that *client*.~~ [deleted]

14.2.9A R For the purposes of the provision rules in relation to a *key investor information document* or a NURS-KII document, a *firm*:

(1) may satisfy the requirement to provide the document to the investor by providing it to a *person* who has written authority to make investment decisions on that investor's behalf; and

(2) is not required to consider as a new transaction:

(a) a subscription to *units* in a *UCITS scheme* ~~or~~ an EEA UCITS scheme or a KII-compliant NURS in which the *client* already holds *units*; or

(b) a series of connected transactions undertaken as the consequence of a single investment decision; or

(c) a decision by the *client* to switch from one class of *units* to another in the same *scheme*;

if an up-to-date version of the *key investor information document* or NURS-KII document for the *scheme* or the relevant class of *units* has

already been provided to that *client*.

[**Note:** article 80 of the *UCITS Directive*]

- 14.2.10 G (1) ~~Although a firm is not always required to provide a *simplified prospectus to a client* (COBS 14.2.9R), the obligation to offer the *prospectus to the client* (COBS 14.2.1R(5)) remains. [deleted]~~
- (2) The *FCA* would regard a decision to subscribe to a regular monthly savings plan as a single investment decision for the purpose of *COBS* 14.2.9AR(2)(a). However, a subsequent decision by the *client* to increase the amount of the regular contributions to be invested in *units* of a particular *scheme* or to direct the contributions to a different *scheme*, would in each case constitute a new transaction.

~~Exception to the provision rules: aggregated scheme documents~~

- 14.2.11 R ~~A firm may provide a single *document*, which describes more than one *key features scheme* or *simplified prospectus scheme*, or any combination of those *schemes*, if: [deleted]~~
- (1) ~~the *schemes* are offered through a *platform service*;~~
- (2) ~~the *document* clearly describes the difference between the relevant *schemes*; and~~
- (3) ~~(in the case of a *simplified prospectus scheme*) the *firm* also offers a copy of the relevant *prospectus to the client*.~~

...

The timing rules

- 14.2.14 R When the *rules* in this section require a *firm* to:
- (1) ~~offer a *simplified prospectus to a client*, that prospectus must be offered free of charge before the conclusion of the contract; or [deleted]~~
- (2) provide a *key features document*, a *simplified prospectus*, or any other *document* or information to a *client*, the *document* or information must be provided free of charge and in good time before the *firm* carries on the relevant business; or
- (3) provide a *key investor information document* ~~or~~ EEA key investor information document or *NURS-KII document* to a *client*, it must be provided in good time before the *client's* proposed subscription for *units* in the *scheme*.

[**Note:** article 80 of the *UCITS Directive*]

...

Exception to the timing rules: distance contracts and voice telephony communications

- 14.2.16 R (1) A *firm* may provide a *document*, or the information required to be provided by the *rules* in this section, in a *durable medium* immediately after the conclusion of a *distance contract*, if the contract has been concluded at a *client's* request using a means of distance communication that does not enable the *document* or information to be provided in that form in good time before the *client* is bound by the contract.
- (2) The exception in (1) does not apply in relation to the provision of an *EEA key investor information document* ~~or~~ a *key investor information document* or a *NURS-KII document* required to be provided under *COBS 14.2.1R* and *COBS 14.2.1AR*.
- 14.2.17 R (1) Where the *rules* in this section require a *document* or information to be provided, in the case of a voice telephony communication, a *firm* must:
- (a) if the *client* gives explicit consent to receiving only limited information, provide the abbreviated distance marketing disclosure information (*COBS 5 Annex 2R*) orally to the *client*;
- (b) if the *client* does not give explicit consent to only receiving limited information, and the parties wish to proceed by voice telephony communication, provide the distance marketing information (*COBS 5 Annex 1R*) orally to the *client*;
- (c) in the case of (a) or (b), send the *documents* or information to the *client* in a *durable medium* immediately after the contract is concluded.
- (2) The exception in (1) does not apply in relation to the provision of an *EEA key investor information document* ~~or~~ a *key investor information document* or a *NURS-KII document* required to be provided under *COBS 14.2.1R* and *COBS 14.2.1AR*.

14.3 Information about designated investments

...

Satisfying the provision rules

...

- 14.3.7 G Providing a *key features document*, *key investor information document*, *EEA key investor information document* or ~~*simplified prospectus*~~ *NURS-KII document* may satisfy the requirements of the *rules* in this section.

...

Information about KII-compliant NURS

- 14.3.11 R If a firm provides a client with a NURS-KII document it will have provided appropriate information for the requirement to disclose information on:
A
- (1) designated investments and investment strategies (COBS 2.2.1R(1)(b)); and
- (2) costs and associated charges (COBS 2.2.1R(1)(d) and COBS 6.1.9R);
in relation to the costs and associated charges for the KII-compliant NURS itself, including the exit and entry commissions.

Distributor disclosure requirements for UCITS or KII-compliant NURS

- 14.3.12 G A key investor information document and EEA key investor information document or a NURS-KII document provide sufficient information in relation to the costs and associated charges in respect of the UCITS or KII-compliant NURS itself. However, a firm distributing units in a UCITS or KII-compliant NURS should also inform a client about all of the other costs and associated charges related to the provision of its services in relation to units in the UCITS or KII-compliant NURS.

...

15 Cancellation

...

15.2 The right to cancel

...

Start of cancellation period

- 15.2.3 R The cancellation period begins:
- (1) ...
- (2) from the day on which the consumer receives the contractual terms and conditions and any other pre-contractual information required under this sourcebook or the PRIIPs Regulation, if that is later than the date referred to above.

[**Note:** article 186 of the Solvency II Directive and article 6(1) of the Distance Marketing Directive]

...

Disclosing a right to cancel or withdraw

15.2.5 R ...

- (2) This *rule* applies only where a *consumer* would not otherwise receive similar information under a *rule* in this sourcebook or in a key information document from the *firm* or another *authorised person* (such as under the distance marketing disclosure rules (*COBS* 5.1.1R to 5.1.4R) ~~or~~ *COBS* 14 (Providing product information) or the *PRIIPs Regulation*).

...

18 Specialist Regimes

...

18.5 Residual CIS operators, UCITS management companies and AIFMs

Application

..

18.5.1B R (1) The following apply to a *full-scope UK AIFM* in relation to its *AIF management functions*:

...

- (d) *COBS* 18.5.10AR and *COBS* 18.5.10BG, except as set out in (2).

...

...

Format and content of fund documents

...

18.5.6A G Where a *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* is required to publish a *key information document*, only *information that is additional to that contained in the key information document* needs be disclosed under *COBS* 18.5.5R.

18.5.7 G The fund documents of an *unauthorised fund* managed by a *small authorised UK AIFM* or a *residual CIS operator* (if those fund documents exist) should make it clear that if an investor is reclassified as a *retail client*, this reclassification will not affect certain activities of the *firm*. In particular, despite such a reclassification, the *firm* will not be required to comply with the best execution provisions. It should be noted that there is no requirement

that fund documents must be produced by a *small authorised UK AIFM* of an *unauthorised fund* or a *residual CIS operator* unless they are required to prepare a *key information document* under the *PRIIPs Regulation*.

...

Application of COBS 18.5.10E to a full-scope UK AIFM

...

18.5.10B G Where a *full-scope UK AIFM* is required to publish a *key information document*, only information that is additional to that contained in the *key information document* needs to be disclosed under *COBS 18.5.10AR*.

...

Annex D**Amendments to the Banking: Conduct of Business sourcebook (BCOBS)**

In this Annex, underlining indicates new text.

2 Communications with banking customers and financial promotions

...

2.4 Structured deposits, cash deposit ISAs and cash deposit CTFs

2.4.1 G ...

2.4.1A G *Firms* are also reminded that *structured deposits* are *PRIIPs* and that the provisions of the *PRIIPs Regulation* are also relevant to such products.

...

Annex E

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text.

12 Appointed representatives

...

12.3 What responsibility does a firm have for its appointed representatives or EEA tied agent?

Responsibility for appointed representatives

12.3.1 G In determining whether a *firm* has complied with:

- (1) any provision in or under the *Act* such as any *Principle* or other *rule*;
or
- (2) ~~with~~ any provision in Part 3 of the *MCD Order*; or
- (3) any qualifying *EU* provision specified, or of a description specified, for the purpose of section 39(4) of the *Act* by the Treasury by order,

anything that an *appointed representative* has done or omitted to do as respects the business for which the *firm* has accepted responsibility will be treated as having been done or omitted to be done by the *firm* (section 39(4) of the *Act* and article 17 of the *MCD Order*).

...

Annex F

Amendments to Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

4 Investor Relations

...

4.5 Reports and accounts

...

Authorised fund manager's report

4.5.9 R The matters set out in (1) to (13) must be included in any *authorised fund manager's* report, except where otherwise indicated:

...

(9A) in the case of a *UCITS scheme* or a *KII-compliant NURS* that does not have a significant exposure to immovables, the figure for the *synthetic risk and reward indicator* disclosed in its most recent *key investor information document* or *NURS-KII document* and any changes to that figure that have taken place during the period;

...

...

4.6 Simplified Prospectus provisions [deleted]

~~Application~~

4.6.1 R ~~This section applies to an *ICVC*, an authorised fund manager of an *AUT*, *ACS* or *ICVC* and any other *director* of an *ICVC* where, in each case, the *AUT*, *ACS* or *ICVC* is a *simplified prospectus scheme*.~~

~~Production and publication of a simplified prospectus~~

4.6.2 R (1) ~~An operator of a *simplified prospectus scheme* must, for each *simplified prospectus scheme* in respect of which it is the operator, produce and publish a *simplified prospectus* in accordance with the rules in this section and ensure that it contains in summary form each of the matters referred to in the table below that relates to this rule.~~

(2) ~~A *simplified prospectus* must be incorporated in a written document or in any *durable medium*.~~

- (3) ~~An operator of a *simplified prospectus scheme* must be satisfied on reasonable grounds that each *simplified prospectus* which it produces:~~
- ~~(a) includes all such information as is necessary to enable an investor to make an informed decision about whether to acquire *units* in the *scheme*;~~
 - ~~(b) does not omit any key item of information;~~
 - ~~(c) wherever possible is written in plain language which avoids technical language and jargon; and~~
 - ~~(d) adopts a format and style of presentation which is clear and attractive to the average reader, so that it can be easily understood by him.~~
- (4) ~~The *simplified prospectus* may be attached to the full *prospectus* as a removable part of it.~~

~~Revision of simplified prospectus~~

- 4.6.3 R ~~An operator of a *simplified prospectus scheme* must, for each *simplified prospectus scheme* of which it is the *operator*, keep its *simplified prospectus* up-to-date and must revise it immediately on the occurrence of any material change.~~
- 4.6.4 G ~~It is the *FCA's* view that any change to a *simplified prospectus scheme* that would be likely to influence the average investor in deciding whether to invest in the *scheme* or realise his investment in it should be regarded as a material change for the purposes of revision of a *simplified prospectus*. Examples would be changes to the *scheme's* objectives or investment policy. The *FCA* would expect a *simplified prospectus* to be updated at least annually.~~

~~Filing requirements~~

- 4.6.5 R ~~A *UCITS management company* must for each *UCITS scheme* it manages file the *scheme's* initial *simplified prospectus*, together with each revision to it, with:~~
- ~~(1) the *FCA*; and~~
 - ~~(2) the *competent authority* of each *EEA state* in which its *units* are to be marketed in the exercise of an *EEA right*.~~

~~UK firms exercising passporting rights in respect of UCITS scheme~~

- 4.6.6 R (1) ~~A *UCITS management company* must for each *UCITS scheme* it manages and in respect of which it is marketing *units* in another *EEA state* in the exercise of an *EEA right*, produce a *simplified prospectus* for the *scheme* drawn up in accordance with the requirements contained in this section.~~

- (2) The *simplified prospectus* must be drawn up in the, or one of the, official languages of the *EEA State* for which it was prepared or in a language approved by the *competent authority* of that *EEA State*.
- (3) The *simplified prospectus* may, without alteration, be used for marketing purposes in the *EEA State* for which it was prepared and in which the *units* of the *simplified prospectus scheme* are to be sold.
- 4.6.7 G (1) In translating the *simplified prospectus* from English into one or more of the official languages of the *EEA State* in which the *simplified prospectus scheme* is to be marketed, or into a language approved by the *competent authority* of that *State*, it is permissible under article 28.3 of the *UCITS Directive*, in the *FCA's* view, for figures expressed in pounds sterling to be converted into the appropriate local currency such as euros. It is not necessary, for example, for the *simplified prospectus* of a *scheme* that is to be marketed across the *EEA* in the exercise of an *EEA right*, to refer to each amount in pounds sterling, in euros and additionally in every other local currency of an *EEA State* in which *units* of the *scheme* are to be marketed that has not adopted the euro as its currency.
- (2) *Operators* considering marketing the *units* of their *simplified prospectus schemes* in another *EEA State* in the exercise of an *EEA right* should have regard to the local marketing legislation of such country.

Contents of the simplified prospectus

- 4.6.8 R This table belongs to the rule on production and publication of a simplified prospectus (*COLL 4.6.2R* and *COLL 4.6.6R*)

Contents of simplified prospectus

Note:	By reproducing schedule C (Contents of the simplified prospectus) to the <i>UCITS Directive</i> (as amplified by Commission Recommendation (2004/384/EC)) and cross-referring to other relevant material, this annex details the facts or matters that must be included in a <i>simplified prospectus</i> .
Brief presentation of the <i>simplified prospectus scheme</i> (in this Table referred to as “the <i>scheme</i> ”):	
(1)	when the <i>scheme</i> was created and an indication of the <i>EEA State</i> where the <i>scheme</i> has been registered or incorporated;
(2)	in the case of a <i>scheme</i> having different investment compartments (<i>sub-funds</i>), the indication of this circumstance;
(3)	the name and contact details of the <i>operator</i> (when applicable);
(4)	the expected period of existence of the <i>scheme</i> (when applicable);

(5)	the name and contact details of the <i>depository</i> ;	
(6)	the name and contact details of the auditors;	
(7)	the name and brief details of the financial group (e.g. a bank) promoting the <i>scheme</i> ;	
Investment information		
(8)	a short description of the <i>scheme's</i> objectives including:	
	(a)	a concise and appropriate description of the outcomes sought for any investment in the <i>scheme</i> ;
	(b)	a clear statement of any guarantees offered by third parties to protect investors and any restrictions on those guarantees;
	(c)	a statement, where relevant, that the <i>scheme</i> is intended to track an index or indices, and sufficient information to enable investors both to identify the relevant index or indices and to understand the extent or degree of tracking pursued; and
	(d)	where the <i>scheme</i> is a <i>qualifying money market fund, short-term money market fund or money market fund</i> , a statement identifying it as such a fund and a statement that the <i>scheme's</i> investment objectives and policies will meet the conditions in the definition of <i>qualifying money market fund, short-term money market fund or money market fund</i> , as appropriate;
Notes	1.	Information on (8)(a) should include a statement as to whether there is any arrangement intended to result in a particular capital or income return from the <i>units</i> or any investment objective of giving protection to their capital value or income return and, if so, details of that arrangement or protection.
	2.	The information disclosed under (8)(b) should include an explanation of what is to happen when an <i>investment</i> is encashed before the expiry of any related guarantee or protection.
(9)	the <i>scheme's</i> investment policy, including:	
	(a)	the main categories of eligible financial instruments which are the object of investment;
	(b)	whether the <i>scheme</i> has a particular strategy in relation to any industrial, geographic or other market sectors or specific classes of assets, e.g. investments in emerging countries ² financial instruments ²

	(e)	where relevant, a warning that, whilst the actual portfolio composition is required to comply with the broad legal and statutory rules and limits, risk concentration may occur in regard of certain tighter asset classes, economic and geographic sectors;
	(d)	if the <i>scheme</i> invests in bonds, an indication of whether they are corporate or government, their duration and the ratings requirements;
	(e)	if the <i>scheme</i> uses financial derivative instruments, an indication of whether this is done in pursuit of the <i>scheme's</i> objectives, or for hedging purposes only;
	(f)	whether the <i>scheme's</i> management style makes some references to a benchmark; and in particular whether the <i>scheme</i> has an 'index tracking' objective, with an indication of the strategy to be pursued to achieve this; and
	(g)	whether the <i>scheme's</i> management style is based on a tactical asset allocation with high frequency portfolio adjustments;
	provided the information is material and relevant;	
Note:	The information referred to in paragraphs (8) and (9) may be set out as a single item in the <i>simplified prospectus</i> (e.g. for the information on index tracking), provided that the information so combined does not lead to confusion of the objectives and policies of the <i>scheme</i> . The order of the information items may be adapted to reflect the <i>scheme's</i> specific investment objectives and policy.	
(10)	a brief assessment of the <i>scheme's</i> risk profile by investment compartment or sub-fund, including:	
	(a)	overall structure of the information provided:
	(i)	a statement to the effect that the value of investments may fall as well as rise and that investors may get back less than they put in;
	(ii)	a statement that details of all the risks actually mentioned in the <i>simplified prospectus</i> may be found in the full <i>prospectus</i> ;
	(iii)	a description in words of any risk investors have to face in relation to their investment, but only where such risk is relevant and material, based on risk impact and probability; and
	(b)	details regarding the description (in words) of the following

		risks:	
		(i)	specific risks:
			The description referred to in paragraph (10)(a)(iii) should include a brief and understandable explanation of any specific risk arising from particular investment policies or strategies or associated with specific markets or assets relevant to the <i>scheme</i> such as:
		A	the risk that the entire market of an asset class will decline thus affecting the prices and values of the assets (market risk);
		B	the risk that an issuer or a counterparty will default (credit risk);
		C	only where strictly relevant, the risk that a settlement in a transfer system does not take place as expected because a counterparty does not pay or deliver on time or as expected (settlement risk);
		D	the risk that a position cannot be liquidated in a timely manner at a reasonable price (liquidity risk);
		E	the risk that the investment's value will be affected by changes in exchange rates (exchange or currency risk);
		F	only where strictly relevant, the risk of loss of assets held in custody that could result from the insolvency, negligence or fraudulent action of the custodian or of a subcustodian (custody risk); and
		G	risks related to a concentration of assets or markets; and
		(ii)	horizontal risk factors:
			The description referred to in paragraph (1)(a)(iii) should also mention, where relevant and material, the following factors that may affect the product:
		A	performance risk, including the variability of risk levels depending on individual fund selections, and the existence, absence of, or restrictions on any guarantees given by third parties;
		B	risks to capital, including potential risk of erosion resulting from withdrawals/cancellations of units

				and distributions in excess of investment returns;
			C	exposure to the performance of the provider/third-party guarantor, where investment in the product involves direct investment in the provider, rather than assets held by the provider;
			D	inflexibility, both within the product (including early surrender risk) and constraints on switching to other providers;
			E	inflation risk; and
			F	lack of certainty that environmental factors, such as a tax regime, will persist;
		(iii)	possible prioritisation of information disclosure:	
			In order to avoid conveying a misleading image of the relevant risks, the information items should be presented so as to prioritise, based on scale and materiality, the risks so as to better highlight the individual risk profile of the <i>scheme</i> ;	
(11)	the historical performance of the <i>scheme</i> (where applicable) and a warning that this is not an indicator of future performance (which may be either included in or attached to the <i>simplified prospectus</i>); including:			
	(a)	disclosure of past performance;		
		(i)	the <i>scheme's</i> past performance, as presented using a bar chart showing annual returns for the last ten full consecutive years. If the <i>scheme</i> has been in existence for fewer than ten years but at least for a period of one year, it is recommended that the annual returns, calculated net of tax and charges, be given for as many years as are available; and	
		(ii)	if a <i>scheme</i> is managed according to a benchmark or if its cost structure includes a performance fee depending on a benchmark, the information on the past performance of the <i>scheme</i> should include a comparison with the past performance of the benchmark according to which the <i>scheme</i> is managed or the performance fee is calculated;	
Note:	Comparison should be achieved by representing the past performance of the benchmark and that of the <i>scheme</i> through the use of appropriate graphs to assist the reader to make the comparison.			

	(b)	disclosure of cumulative performance:
		Disclosure should be made of the cumulative performance of the <i>scheme</i> over the ten year period referred to in paragraph (11)(a)(i). A comparison should also be made with the cumulative performance (where relevant) of a benchmark, when comparison to a benchmark is required in accordance with paragraph (11)(a)(ii);
Note:		Where the <i>scheme</i> has been in existence for fewer than ten years but at least for a period of one year, disclosure of the past cumulative performance should be made for as many years as are available.
	(c)	exclusion of subscription and redemption fees, subject to appropriate disclosure:
		A statement should be made that past performance of the <i>scheme</i> does not include the effect of subscription and redemption fees.
Notes	1.	Where a comparison is being made with the cumulative performance of a benchmark as required by paragraph (11)(b), the comparison should be achieved by representing the past performance of the benchmark and that of the <i>scheme</i> through the use of appropriate graphs to assist the reader to make the comparison.
	2.	The <i>scheme's</i> historical performance may be produced as a separate attachment to the <i>simplified prospectus</i> .
(12)	a profile of the typical investor the <i>scheme</i> is designed for;	
Economic information		
(13)	the <i>scheme's</i> applicable tax regime, including:	
	(a)	the tax regime applicable to the <i>scheme</i> in the <i>UK</i> ; and
	(b)	a statement which explains that the regime of taxation of the income or capital gains received by individual investors depends on the tax law applicable to the personal situation of each individual investor and/or to the place where the capital is invested and that if investors are unclear as to their fiscal position, they should seek professional advice or information from local organisations, where available;
Note:	This information should include a statement in relation to <i>SDRT provisions</i> , explaining how the <i>scheme</i> may suffer stamp duty reserve tax as a result of transactions in <i>units</i> and whether the <i>operator's</i> policy is such that an <i>SDRT provision</i> may be imposed.	

(14)	details of any entry and exit commissions relating to the <i>scheme</i> and details of the <i>scheme's</i> other possible expenses or fees, distinguishing between those to be paid by the <i>unitholder</i> and those to be paid from the <i>scheme's</i> or the <i>sub-fund's</i> assets, including:	
	(a)	overall contents of the information provided:
	(i)	disclosure of a total expense ratio (TER), calculated as indicated in Annex 1 to this chapter, except for a newly created fund where a TER cannot yet be calculated;
	(ii)	on an ex ante basis, disclosure of the expected cost structure, that is an indication of all costs available according to the list set forth in Annex 1 to this chapter so as to provide investors, in so far as possible, with a reasonable estimate of expected costs;
	(iii)	all entry and exit commissions and other expenses directly paid by the investor;
	(iv)	an indication of all the other costs not included in the TER, including disclosure of transaction costs;
	(v)	as an additional indicator of the importance of transaction costs, the portfolio turnover rate, calculated as shown in Annex 2 to this chapter; and
	(vi)	an indication of the existence of fee-sharing agreements and soft commissions;
Note:	1.	In explaining the function of the TER to the reader, appropriate wording should be used in the <i>simplified prospectus</i> . For example, TER might be explained in the following terms: "The TER shows the annual operating expenses of the <i>scheme</i> —it does not include transaction expenses. All European funds highlight the TER to help you compare the annual operating expenses of different <i>schemes</i> ."
	2.	It is the <i>FCA's</i> understanding that the disclosure of a reasonable estimate of expected costs on an ex ante basis, as required by paragraph (14)(a)(ii), only applies to new <i>schemes</i> where a TER cannot yet be calculated. Where a TER can be calculated for a <i>simplified prospectus scheme</i> , there is no need to have to disclose a reasonable estimate of expected costs on an ex ante basis in accordance with paragraph (14)(a)(ii), in addition to the TER.
	3	Paragraph (14)(a)(vi) should not be interpreted as a

			general validation of the compliance of any individual agreement or commission with the provisions of the <i>Handbook</i> . Taking into account current market practice, consideration should be given as to how far the <i>scheme's</i> existing fee sharing agreements and comparable fee arrangements are for the exclusive benefit of the <i>scheme</i> .
		4	The <i>simplified prospectus</i> should make a reference to the full <i>prospectus</i> for detailed information on these kinds of arrangements, which should allow any investor to understand to whom expenses are to be paid and how possible conflicts of interest will be resolved in his/her best interest. The information provided in the <i>simplified prospectus</i> should remain concise in this respect.
		5.	Details of entry and exit commissions relating to the <i>scheme</i> and details of the <i>scheme's</i> other possible expenses or fees, must be presented in the <i>simplified prospectus</i> in the form required by COBS 4.6.9R (Charges and reduction in yield).
	(b)	information about 'fee sharing agreements' and 'soft commissions':	
		(i)	identification of 'fee sharing agreements';
Note:	For the purposes of paragraph (14)(b)(i), fee sharing agreements should be taken as those agreements whereby a party remunerated, either directly or indirectly, out of the assets of a <i>scheme</i> agrees to split its remuneration with another party and which results in that other party meeting expenses through this fee sharing agreement that should normally be met, either directly or indirectly, out of the assets of the <i>scheme</i> .		
		(ii)	identification of soft commissions
Note:	For the purposes of paragraph (14)(b)(ii), soft commissions should be regarded as any economic benefit, other than clearing and execution services, that an asset manager receives in connection with the <i>scheme's</i> payment of commissions on transactions that involve the <i>scheme's</i> portfolio securities. Soft commissions are typically obtained from, or through, the executing broker.		
	(c)	presentation of TER and portfolio turnover rate;	
Note:	Both the TER and the portfolio turnover rate may be either included in or attached to the <i>simplified prospectus</i> in the same paper as information on past performance.		

Commercial information	
(15)	how to buy the <i>units</i> ;
Note:	This should include an explanation of any relevant right to cancel or withdraw from the purchase, or where it is the case, that such rights do not apply.
(16)	how to sell the <i>units</i> ;
(17)	in the case of a <i>scheme</i> having different investment compartments (<i>sub-funds</i>), an explanation of how to switch from one investment compartment into another and any charges applicable in such cases;
(18)	when and how dividends on <i>units</i> or <i>shares</i> of the <i>scheme</i> (if applicable) are distributed;
(19)	when and where prices of <i>units</i> are published or made available;
Additional information	
(20)	A statement that, on request, the full <i>prospectus</i> and the annual and half-yearly reports of the <i>scheme</i> may be obtained free of charge before the conclusion of the contract and afterwards, together with details of how they may be obtained or how a <i>person</i> may gain access to them;
(21)	the name and contact details of the <i>FCA</i> as being the <i>competent authority</i> which has authorised or registered the <i>scheme</i> ;
(22)	details of a contact point (<i>person</i> or department, and, if appropriate the times of day etc.) where additional information may be obtained if needed;
(23)	the date of publication of the <i>simplified prospectus</i> ;
Additional information for a feeder NURS: Objectives and investment policy	
(24)	(a) where the <i>scheme</i> is a <i>feeder NURS</i> , in the description of objectives and investment policy, information about the proportion of the <i>feeder NURS</i> ' assets which is invested in the <i>qualifying master scheme</i> ; and
	(b) a description of the <i>qualifying master scheme</i> 's objectives and investment policy, supplemented by:
	(i) an indication that the investment returns of the <i>feeder NURS</i> will be very similar to those of the <i>qualifying master scheme</i> ; or
	(ii) an explanation of how and why the investment returns

			of the <i>feeder NURS</i> and <i>qualifying master scheme</i> may differ;	
Additional information for a feeder NURS: Risk profile				
(25)	(a)	a description and explanation of any material differences between the risk profile of the <i>feeder NURS</i> and that of the <i>qualifying master scheme</i> ; and		
	(b)	details of:		
		(i)	any liquidity risk; and	
		(ii)	the relationship between purchase and redemption arrangements for the <i>qualifying master scheme</i> and <i>feeder NURS</i> ;	
Additional information for a feeder NURS: Practical information				
(26)	where the <i>scheme</i> is a <i>feeder NURS</i> , information specific to the <i>feeder NURS</i> , including:			
	(a)	a statement that the following <i>documents</i> of the <i>qualifying master scheme</i> are available to <i>unitholders</i> of the <i>feeder NURS</i> upon request, and details of how they may be obtained:		
		(i)	the <i>prospectus</i> ;	
		(ii)	A	the <i>key investor information document</i> ; or
			B	where the <i>authorised fund manager</i> of the <i>qualifying master scheme</i> has a dispensation in the form of a general <i>waiver</i> by consent so that it may provide a <i>key investor information document</i> as modified by the general <i>waiver</i> direction, that document (a ' <i>NURS KH document</i> '); or
			€	the <i>key features document</i> ; or
			Ð	the <i>simplified prospectus</i> ; or
			E	the nearest equivalent document for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i> ;
		(iii)	the annual and half-yearly long reports (or nearest equivalent documents for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i>); and	

		(iv)	where the <i>qualifying master scheme</i> is a <i>UCITS scheme</i> or <i>non-UCITS retail scheme</i> , its annual and half-yearly short reports;
	(b)		where the <i>qualifying master scheme</i> is not established in the <i>United Kingdom</i> , and where this may affect the <i>feeder NURS'</i> tax treatment, a statement this effect;
Feeder NURS: past performance presentations			
(27)	(a)		any past performance presentation in the document of the <i>feeder NURS</i> must be specific to the <i>feeder NURS</i> and must not reproduce the performance record of the <i>qualifying master scheme</i> ;
	(b)		the requirement in (a) does not apply where the <i>feeder NURS</i> :
		(i)	shows the past performance of its <i>qualifying master scheme</i> as a benchmark; or
		(ii)	was launched as a <i>feeder NURS</i> at a later date than the <i>qualifying master scheme</i> and where a simulated performance which is based on the past performance of the <i>qualifying master scheme</i> is shown for the years before the <i>feeder NURS</i> existed; or
		(iii)	has a performance record from before the date on which it began to operate as a feeder, its own record being retained in the bar chart of the relevant years, with any material change labelled.
General Note:			
	In making the disclosures required by paragraphs (8) to (19) of this Table, the information must be presented in the form of questions and answers. This format is designed to assist the comprehension of the reader. The requirement will not apply in relation to a <i>simplified prospectus</i> that is to be used to market the <i>units</i> of the <i>scheme</i> in another <i>EEA state</i> or in relation to a <i>simplified prospectus</i> that is to be used to market the <i>units</i> of the <i>scheme</i> exclusively to <i>persons</i> who are not <i>retail clients</i> .		

Charges and reduction in yield

- 4.6.9 R (1) In disclosing the information required by paragraph 14 of COBS 4.6.8G (Table: Contents of the simplified prospectus), a *firm* must include an effect of charges table and a reduction in yield figure prepared in accordance with the *rules* in sections 2 (Effect of charges table) and 3 (Reduction in yield) of COBS 13 Annex 3.

- (2) This *rule* does not apply to a *simplified prospectus* for *units* in a *simplified prospectus scheme* that will be marketed and sold in another *EEA State* or exclusively to those who are not *retail clients*.
- (3) Note (5) to paragraph (14) of COBS 4.6.8G, and COBS 4.6.9R cease to have effect on 30 June 2011, unless remade.

Composite documents for several schemes, sub-funds and classes

- 4.6.10 G In the *FCA's* view, a *firm* may, for the purposes of the *rules* in COBS 14 requiring a *firm* to provide a *key features document* or a *simplified prospectus*, combine the required information on several *simplified prospectus schemes*, *key features scheme* or *EEA simplified prospectus schemes* or any combination of them into a composite document, provided the document continues to comply with the general requirements such as being clear. Similarly, the information on different *sub-funds* or *classes* within a *scheme* may be combined into a composite document or provided as separate documents. Where the latter approach is adopted, references in this section to "*scheme*" or "*simplified prospectus scheme*" should be taken as referring to the relevant *sub-fund* or *class*, as applicable.

Multiclass schemes: use of representative class

- 4.6.11 G In the *FCA's* view, where a *simplified prospectus scheme* has more than one *class of unit*, the *simplified prospectus* may be prepared on a representative *class* basis, provided this is made clear and there is no material difference in the *classes* concerned. The same applies for an *umbrella*, as regards any *sub-fund* with more than one *class of units*.
- 4.6.12 R An *authorised fund manager* must ensure that its *financial promotions* which contain an invitation to purchase *units* in a *UCITS scheme* indicate that a *simplified prospectus* and a full *prospectus* exist, and the places where they may be obtained by the public or how the public may have access to them.

Use of the "keyfacts" logo within a simplified prospectus

- 4.6.13 R A *simplified prospectus* may include the "keyfacts" logo if:
- (1) the "keyfacts" logo is situated in a prominent position at the top of the *document*; and
 - (2) The *document* also contains the following statement in a prominent position:

"The Financial Conduct Authority is an independent financial services regulator. It requires us, [provider name], to give you this important information to help you to decide whether our [product name] is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference".

4.7 Key investor information and marketing communications

Application

4.7.1 R This section applies to an *ICVC*, an *authorised fund manager* of an *AUT*, *ACS* or *ICVC* and any other *director* of an *ICVC* where, in each case, the *AUT*, *ACS* or *ICVC* is:

- (1) a UCITS scheme; and
- (2) a non-UCITS retail scheme if the authorised fund manager or ICVC draws up a NURS-KII document instead of a key information document for the non-UCITS retail scheme.

Application of the PRIIPS Regulation to NURS

- 4.7.1A G (1) An authorised fund manager and an ICVC of a non-UCITS retail scheme may draw up either:
- (a) a key information document in accordance with the PRIIPS Regulation; or
 - (b) a NURS-KII document until 31 December 2019 (a KII-compliant NURS) (in accordance with the exemption in article 32(2) of the PRIIPS Regulation).
- (2) A NURS-KII document will need to comply with the KII Regulation as if it applied to the KII-compliant NURS, except where modified in COLL 4.7.3AR.

Key investor information

- 4.7.2 R (1) An authorised fund manager must ; draw up a short document in English containing key investor information for investors:
- (a) for each UCITS scheme which it manages, draw up a short document in English containing key investor information (“a key investor information document”) for investors ; and
 - (b) for each non-UCITS retail scheme it manages which is a KII-compliant NURS, a NURS-KII document.
- (2) The words “key investor information” must be clearly stated in the this document key investor information document and NURS-KII document.
- (3) Key investor information must include appropriate information about the essential characteristics of the UCITS scheme or KII-compliant NURS which is to be provided to investors so that they are reasonably able to understand the nature and risks of the investment

product that is being offered to them and, therefore, to take investment decisions on an informed basis.

- (4) *Key investor information* must provide information on the following essential elements in respect of the *UCITS scheme* or *KII-compliant NURS*:
- (a) identification of the scheme and that the *FCA* is the *competent authority* of the *scheme*;
 - (b) a short description of its investment objectives and investment policy;
 - (c) past performance presentation or, where relevant, performance scenarios;
 - (d) costs and associated charges; and
 - (e) risk/reward profile of the investment, including appropriate guidance and warnings in relation to the risks associated with investments in the *scheme*.

...

- (6) A *key investor information document* or *NURS-KII document* must clearly specify where and how to obtain additional information relating to the proposed investment, including but not limited to where and how the prospectus and the annual and half-yearly reports can be obtained on request and free of charge at any time, and the language in which that information is available to investors.

...

- (6B)** A *NURS-KII document* must also include a statement that the details of the up-to-date *remuneration* policy will be made available free of charge upon request, including the following:

- (a) a description of how *remuneration* and benefits are calculated; and
- (b) the identities of persons responsible for awarding the *remuneration* and benefits, including the composition of the *remuneration* committee, where such a committee exists.

...

- (8) *Key investor information* for a *UCITS scheme* must be used without alterations or supplements, except translation, in each *EEA State* where a *UCITS marketing notification* has been made so as to enable the *marketing* of the *scheme's units* in that State.

[**Note:** article 78 of the *UCITS Directive*]

...

Form and content of NURS-KII document

- 4.7.3A **R** An authorised fund manager of a KII-compliant NURS, or an ICVC that is a KII-compliant NURS, must comply with the KII Regulation when producing a NURS-KII document, except where modified below.
- (1) A reference in the KII Regulation to:
- (a) a ‘key investor information document’ is treated as a reference to the NURS-KII document;
 - (b) a ‘UCITS’ is treated as a reference to a KII-compliant NURS;
 - (c) a ‘UCITS management company’ or a ‘management company’ is treated as a reference to an authorised fund manager;
 - (d) a ‘feeder UCITS’ is treated as a reference to a feeder NURS;
 - (e) a ‘master UCITS’ is treated as a reference to a qualifying master scheme; and
 - (f) an ‘underlying collective undertaking’ is treated as a reference to a second scheme, within the meaning of COLL 5.6.10R.
- (2) Article 1 (Subject matter) is deleted.
- (3) Article 2(2) (General principles) is amended so that it reads ‘This regulation shall apply to any investment company which has chosen not to appoint an authorised corporate director’.
- (4) Article 4(12) (Title and content of document) is amended so that the reference to article 16 of Directive 2009/65/EC (UCITS Directive) is read as article 33 of Directive 2011/61/EU (AIFMD).
- (5) (a) Article 8 (Explanation of potential risks and rewards, including the use of an indicator) is modified for a KII-compliant NURS having a significant exposure to immovables permitted under COLL 5.6.18R, whereby significant exposure is understood as at least 20% in value of the scheme property.
- (b) Such a scheme must not include a synthetic risk and reward indicator in the ‘Risk and reward profile’ section of its NURS-KII document.
- (c) It must instead include a full narrative disclosure of risks that are materially relevant to the fund within that section of

the NURS-KII document.

- (d) This will also apply to a NURS-KII document for a feeder NURS whose qualifying master scheme has a significant exposure to immovables.
- (6) In article 9 (Principles governing the identification, explanation and presentation of risks) ‘as laid down in Directive 2010/43/EU’ is deleted.
- (7) Article 19(4) (Use of 'simulated' data for past performance) is amended so that it reads ‘In the case of mergers whereby:
- (a) one or more schemes or investment compartments thereof (the ‘merging scheme’), on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing KII-compliant NURS or an investment compartment thereof, the ‘receiving KII-compliant NURS’, in exchange for the issue to their unitholders of units of the receiving KII-compliant NURS; or
- (b) one or more schemes or investment compartments thereof, (the ‘merging scheme’), which continue to exist until the liabilities have been discharged, transfer their net assets to a KII-compliant NURS which they form or to another existing KII-compliant NURS or an investment compartment thereof, the ‘receiving KII-compliant NURS’;
or
- (c) one or more investment compartments of a KII-compliant NURS, the ‘merging scheme’, which continue to exist until the liabilities have been discharged, transfer their net assets to another investment compartment of the same non-UCITS retail scheme, the ‘receiving KII-compliant NURS’;
- only the past performance of the receiving KII-compliant NURS shall be maintained in the NURS-KII document’.
- (8) Article 20(1)(e) (Content of ‘practical information’ section) is deleted so that the statement is not included in the NURS-KII document.
- (9) Article 28 (Objectives and investment policy section) is amended so that it reads: ‘Where the KII-compliant NURS invests a substantial proportion of its assets in other collective investment schemes as referred to in COLL 5.6.10R (‘second schemes’), the description of the objectives and investment policy of that KII-compliant NURS in the NURS-KII document shall include a brief explanation of how the other second schemes are to be selected on an on-going basis.’
- (10) The heading to section 4 (Feeder UCITS), is amended so that it reads

‘Feeder KII-compliant NURS’.

- (11) In article 31(1) (Objectives and investment policy section) ‘as defined in Article 58 of Directive 2009/65/EC’ is deleted.
- (12) In article 34(2)(a) (Practical information section) the statement may refer to the nearest equivalent disclosure *document* for a *qualifying master scheme* which does not issue a *NURS-KII document*.
- (13) In article 34(2)(b) (Practical information section) ‘in accordance with Article 63(5) of Directive 2009/65/EC’ is deleted.
- (14) In article 38(1) (Conditions applying to the provision of a key investor information document or a prospectus in a durable medium other than paper or by means of a website) ‘for the purposes of Directive 2009/65/EC’ is deleted.

Money market funds that are KII-compliant NURS

4.7.3B R An authorised fund manager of a KII-compliant NURS that is a short-term money market fund, a money market fund or a qualifying money market fund must include a statement in its NURS-KII document:

- (1) identifying it as such a *fund*; and
- (2) stating that the *NURS*’ investment objectives and policies will meet the conditions of the definition of *short-term money market fund*, *money market fund* or *qualifying money market fund*, as appropriate.

Feeder NURS that produce a key information document

4.7.3C G The authorised fund manager of a feeder NURS, or an ICVC that is a feeder NURS, that draws up a key information document for a retail client, should cross refer to documents related to its *qualifying master scheme* which enable such clients to understand the *qualifying master scheme*’s key particulars including:

- (1) its investment strategy;
- (2) a description and explanation of any material differences between the risk profile of the *feeder NURS* and that of the *qualifying master scheme*; and
- (3) its charges, including the aggregate of the charges of the *feeder NURS* and its *qualifying master scheme* as disclosed in the *feeder NURS*’ most up to date *prospectus*.

[Note: article 6(2) of the *PRIIPS Regulation*]

Translation of a key investor information document or NURS-KII document

4.7.4 G While the original key investor information document or *NURS-KII*

document is required by COLL 4.7.2R to be drawn up in English, an *authorised fund manager* may prepare an accurate translation of it into any language for the purpose of *marketing the units of the UCITS scheme or KII-compliant NURS* in the *United Kingdom*. Any such translation should be prepared without alterations or supplements.

Pre-contractual information

4.7.5 R The *key investor information document* and the NURS-KII document must:

- (1) constitute pre-contractual information (see COBS 14.2.1AR (Provision of key investor information document));
- (2) be fair, clear and not misleading; and
- (3) be consistent with the relevant parts of the *prospectus*.

[**Note:** article 79(1) of the *UCITS Directive*]

4.7.6 G ...

- (3) A NURS-KII document should not include the wording of warning to investors set out at article 20(1)(e) of the KII Regulation as the limitation of liability provided in section 90ZA of the Act does not apply to KII-compliant NURS.

Revision and filing of key investor information or key information document or NURS-KII document

- 4.7.7 R
- (1) An *authorised fund manager* must keep up to date the essential elements of ~~the key investor information document for each UCITS scheme which it manages~~ :
 - (a) the key investor information document for each UCITS scheme which it manages; or
 - (b) the NURS-KII document for each KII-compliant NURS which it manages.
 - (2) An *authorised fund manager* must file the *key investor information document* for each *UCITS scheme* or the NURS-KII document for each KII-compliant NURS which it manages, and any amendments thereto, with the *FCA*.
 - (3) An *authorised fund manager* of a *feeder UCITS* or feeder NURS must, in addition to (1) and (2), file the *key investor information* of its *master UCITS* or the NURS-KII document of its qualifying master scheme, and any amendments thereto, with the *FCA*.

...

Synthetic risk and reward indicators and ongoing charges disclosures in the KII

- 4.7.8 G (1) (a) *Authorised fund managers* are advised that CESR issued two separate guidelines regarding the methodology that should be used in calculating the *synthetic risk and reward indicator* and the ongoing charges figure, both of which must be disclosed in the *key investor information document* for each *UCITS scheme* which they manage.
- (b) *Authorised fund managers of KII-compliant NURS should also consider these guidelines when calculating synthetic risk reward indicators and the ongoing charges figure for a NURS-KII document.*

- (2) In line with the *KII Regulation*, firms in producing their *key investor information documents* or *NURS-KII documents* should take account of CESR's methodologies in calculating the figures for *the synthetic risk and reward indicators* and for ongoing charges to be disclosed in those documents. For ease of reference links to these guidelines are shown below, as follows:

Methodology for the calculation of the synthetic risk and reward indicator in the KII (CESR/10-673)
<http://www.esma.europa.eu/node/49058>

Methodology for the calculation of the ongoing charges figure in the KII (CESR/10-674) <http://www.esma.europa.eu/node/49059>

...

- 4.7.9 G *Authorised fund managers* of a *UCITS scheme* and *KII-compliant NURS* are further advised that CESR, and its successor body, *ESMA*, have issued guidelines in relation to several other matters concerning *key investor information*. These are:

...

Marketing communications

- 4.7.10 G *COBS 4.13.2R(1)(b)* and (c) (Marketing communications relating to *UCITS schemes* or *EEA UCITS schemes*) require an *authorised fund manager* to ensure that its marketing communications that contain an invitation to purchase *units* in a *UCITS scheme* or *EEA UCITS scheme*, indicate that a *prospectus* and *key investor information* for a *UCITS scheme* exist, specifying where they may be obtained by the public or how the public may have access to them.

4 Annex 1 Total expense ratio calculation [deleted]

~~This Annex belongs to the rule on the contents of the simplified prospectus in this chapter.~~

Total expense ratio (TER)	
1.	Definition of the TER
	The total expense ratio (TER) of a <i>simplified prospectus scheme</i> is the ratio of the <i>scheme's</i> total operating costs to its average net assets calculated according to paragraph 3.
2.	Included/excluded costs
(a)	The total operating costs are all the expenses which come in deduction of a <i>simplified prospectus scheme's</i> assets. These costs are usually shown in a <i>scheme's</i> statement of operation for the relevant fiscal period. They are assessed on a 'all taxes included' basis, which means that the gross value of expenses should be used.
(b)	Total operating costs include any legitimate expenses of the <i>simplified prospectus scheme</i> , whatever their basis of calculation (e.g. flat fee, asset-based, transaction-based — see note 2 above), such as:
	- management costs including performance fees
	- administration costs
	- fees linked to <i>depository</i> duties;
	- audit fees;
	- payments to shareholder services providers includes payments to the <i>simplified prospectus scheme's</i> transfer agent and payments to broker-dealers that are record owners of the <i>scheme's</i> shares and that provide sub-accounting services for the beneficial owners of the <i>scheme's</i> shares;
	- payments to lawyers;
	- any distribution or unit cancellation costs charged to the <i>scheme</i> ;
	- registration fees, regulatory fees and similar charges;
	- any additional remuneration of the management company (or any other party) corresponding to certain fee-sharing agreements in accordance with paragraph 4 below.
(c)	The total operating costs do not include:
	- transaction costs which are costs incurred by a <i>simplified prospectus scheme</i> in connection with transactions on its portfolio. They include brokerage fees, taxes and linked charges and the market impact of the transaction taking into account the remuneration of the broker and the liquidity of the concerned

		assets;
	-	interest on borrowing;
	-	payments incurred because of financial derivative instruments;
	-	entry/exit commissions or any other fees paid directly but the investor;
	-	soft commissions in accordance with paragraph 4.
3.	Calculation method and disclosure	
	(a)	The TER is calculated at least once a year on an ex post basis, generally with reference to the fiscal year of the <i>simplified prospectus scheme</i> . For specific purposes it may also be calculated for other time periods. The <i>simplified prospectus</i> should in any case include a clear reference to an information source (e.g. the <i>scheme's</i> website) where the investor may obtain previous years'/periods' TER figures.
	(b)	The average net assets must be calculated using figures that are based on the <i>scheme's</i> net assets at each calculation of the net asset value (NAV), e.g. daily NAVs where this is the normal frequency of NAV calculation as approved by the <i>simplified prospectus scheme's</i> competent authorities. Further circumstances or events which could lead to misleading figures have equally to be taken into consideration.
		Tax relief should not be taken into account.
		The calculation method of the TER must be validated by the <i>simplified prospectus scheme's</i> auditors and/or competent authorities.
4.	Fee-sharing agreements and soft commissions	
		It regularly results from fee-sharing agreements on expenses that are generally not included in the TER, that the management company or another party is actually meeting, in all or in part, operating costs that should normally be included in the TER. They should therefore be taken into account when calculating the TER, by adding to the total operating costs any remuneration of the management company (or another party) that derives from such fee-sharing agreements.
		There is no need to take into account fee-sharing arrangements on expenses that are already in the scope of the TER. Soft commissions should also be left outside the scope of the TER.
		Thus:
	-	the remuneration of a management company through a fee-sharing agreement with a broker on transaction costs and with other fund management companies in the case of funds of funds (if this

		remuneration has not already been taken into account in the synthetic TER (see paragraph 6 below) or through other costs already charged to the fund and therefore directly included into the TER) should anyway be taken into account in the TER,
	-	conversely, the remuneration of a management company through a fee-sharing agreement with a <i>scheme</i> (except when this remuneration falls under the scope of the specific fund of fund case covered in the previous indent) should not be taken into account.
5.	Performance fees:	
	Performance fees should be included in the TER and should also be disclosed separately as a percentage of the average net asset value.	
6.	Simplified prospectus scheme investing in UCITS scheme or in non-UCITS scheme:	
	When a <i>simplified prospectus scheme</i> invests at least 10% of its net asset value in <i>UCITS schemes</i> or in <i>schemes</i> that are not <i>UCITS schemes</i> which publish a TER in accordance with this Annex, a synthetic TER corresponding to that investment should be disclosed.	
	The synthetic TER is equal to the ratio of:	
	-	the <i>simplified prospectus scheme's</i> total operating costs expressed by its TER and all the costs borne by the <i>scheme</i> through holdings in underlying funds (i.e. those expressed by the TER of the underlying funds weighted on the basis of the <i>simplified prospectus scheme's</i> investment proportion), plus the subscription and redemption fees of these underlying funds, divided by:
	-	the average net assets of the <i>scheme</i> .
	As mentioned in the previous subparagraph, subscription fees and redemption fees of the underlying funds should be included in the TER. Subscription and redemption fees may not be charged when the underlying funds belong to the same group in accordance with Article 24(3) of the <i>UCITS Directive</i> .	
	When any of the underlying <i>schemes</i> that are not <i>UCITS schemes</i> does not publish a TER in accordance with this Annex, disclosure of costs should be adapted in the following way:	
	-	the impossibility of calculating the synthetic TER for that fraction of the investment must be disclosed,
	-	the maximum proportion of management fees charged to the underlying fund(s) must be disclosed in the <i>simplified prospectus</i> ,
	-	a synthetic figure of total expected costs must be disclosed, by

		calculating:
	-	a truncated synthetic TER incorporating the TER of each of those underlying funds for which the TER is calculated according to this Annex, weighted on the basis of the <i>simplified prospectus scheme's</i> investment proportion, and
	-	by adding, for each of the other underlying funds, the subscription and redemption fees plus the best available maximum estimate of TER eligible costs. This should include the maximum management fee and the last available performance fee for that fund, weighted on the basis of the <i>simplified prospectus scheme's</i> investment proportion.
7.	Umbrella funds/multiclass funds:	
	In the case of umbrella funds, the TER should be calculated for each <i>sub-fund</i> . If, in the case of multiclass funds, the TER differs between different share classes, a separate TER should be calculated and disclosed for each share class. Furthermore, in keeping with the principle of equality among investors, where there are differences in fees and expenses across classes, these different fees/expenses should be disclosed separately in the <i>simplified prospectus</i> . An additional statement should indicate that the objective criteria (e.g. the amount of subscription), on which these differences are based, are available in the full <i>prospectus</i> .	

Notes:	
1.	This Annex sets out the requirements in relation to the TER. It reproduces, and adapts where appropriate for the purposes of the Simplified Prospectus provisions, Annex 1 to Commission Recommendation (2004/384/EC), amplifying Schedule C (Contents of the simplified prospectus) to the Management Company Directive (2004/107/EC).
2.	The non-exhaustive typology of calculation bases referred to in paragraph 2(b) below reflects the diversity of recent commercial practice across Member States (at the end of 2003) and should not be interpreted as a general validation of the compliance of any individual agreement or commission with the provisions of the <i>Handbook</i> .

4 Annex 2 Portfolio turnover calculation [deleted]

This Annex belongs to the rule on the contents of the simplified prospectus in this chapter.	
Note:	This Annex sets out the requirements in relation to the portfolio turnover rate. It reproduces Annex II to Commission Recommendation

	(2004/384/EC), amplifying Schedule C (Contents of the simplified prospectus) to the Management Company Directive (2004/107/EC). This table also includes other material which the FCA considers should be included.
Portfolio turnover rate	
A <i>simplified prospectus scheme's</i> or, where relevant, a compartment's (<i>sub-fund's</i>) portfolio turnover rate must be calculated in the following way:	
Purchase of securities = X	
Sales of securities = Y	
Total 1 = total of transaction in securities = X + Y	
Issues/Subscriptions of units of the scheme = S	
Cancellations/Redemptions of units of the scheme = T	
Total 2 = Total transaction in units of the scheme = S + T	
Reference average of total net assets = M	
Turnover = [(Total 1 – Total 2)/M]*100	
The reference average of total net assets corresponds to the average of net asset values calculated with the same frequency as under Annex 1 to this chapter. The portfolio turnover rate disclosed should correspond to the period(s) for which a TER is disclosed. The <i>simplified prospectus</i> should in any case include a clear reference to an information source (e.g. the <i>scheme's</i> website) where the investor may obtain previous periods' performance.	
Note	
Firms should note that inclusion of the portfolio turnover rate in the <i>simplified prospectus</i> is mandatory. The rate must be calculated according to the formula which is prescribed above. However, because the rate includes both purchases and sales of <i>securities</i> , readers may find it difficult to understand. Consequently <i>firms</i> should consider including an explanation of the formula, such as:	
$\frac{(\text{Purchase of securities} + \text{Sales of securities}) - (\text{Subscription of units} + \text{Redemption of units})}{(\text{Average Fund Value over 12 months})} \times 100$	

5 Investment and borrowing powers

...

5.2 General investment powers and limits for UCITS schemes

...

Index replication

- 5.2.32 G (1) ~~Where the 20% limit (see *COLL 5.2.31R(1)*) is raised (subject to the maximum of 35% permitted by *COLL 5.2.31R(2)*), the *authorised fund manager* should provide appropriate information in the *simplified prospectus*, in order to explain the *authorised fund manager's* assessment of why this increase is justified by exceptional market conditions.~~

~~[Note: *CESR's UCITS eligible assets guidelines* with respect to Article 12(2) of the *UCITS eligible assets Directive*] [deleted]~~

...

...

6 Operating duties and responsibilities

...

6.7 Payments

...

Prohibition on promotional payments

- 6.7.12 R (1) No payment may be made from *scheme property* to any *person*, other than a payment to the *authorised fund manager* permitted by the *rules* in *COLL*, for the acquisition or promotion of the *sale* of *units* in an *authorised fund*.
- (2) Paragraph (1) does not apply to the costs an *authorised fund* incurs preparing and printing the ~~*simplified prospectus*~~, *key investor information document*, *NURS-KII document* or *key information document*, ~~*key features document*~~ or ~~*key features illustration*~~, provided the *prospectus* states, in accordance with *COLL 4.2.5R* (13) and (14) (Table: contents of the *prospectus*), that these costs are properly payable to the *authorised fund manager* from *scheme property*.

8 Qualified investor schemes

...

8.3 Investor relations

- (2) The requirements of the *PRIIPS Regulation* are directly applicable.
- (3) As a result, when a *recognised scheme* under section 272 of the *Act* is made available to *retail clients* in the *United Kingdom* the *operator* must draw up a *key information document* in accordance with the *PRIIPS Regulation*.

COLL TP 1 Transitional Provisions

1.1

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
22	COLL 4.6.8R(8)(d) [deleted]	R	Expired		
...					
38	The rules in <i>COLL 4.7</i> that relate to a <i>NURS-KII document</i> .	R	<p><u>An authorised fund manager of a non-UCITS retail scheme may comply with the provisions in column (2) using a <i>NURS-KII document</i> created before 31 December 2016 if it:</u></p> <p><u>(1) had dispensation from the FCA through a modification by consent to market units of the non-UCITS retail scheme using a key investor information document until 31 December 2016; and</u></p> <p><u>(2) decides to draw up a <i>NURS-KII document</i>, instead of a key information document, in accordance with <i>COLL</i></u></p>	From 31 December 2016 until 18 March 2017	31 December 2016

			<u>4.7 after 31 December 2016.</u>		
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[Editor's Note: The text in this Annex takes into account the changes suggested by CP16/14 *UCITS V Level 2 Regulation, SFTR and consequential changes to the Handbook* (May 2016), as if they were made.]

Annex G

Amendments to the Investment Funds sourcebook (FUND)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3.2 Investor information

...

Prior disclosure of information to investors

...

- 3.2.4B G (1) The *PRIIPs Regulation* requires the manufacturer of a *PRIIP* to draw up a *key information document* in accordance with the *PRIIPs Regulation* before that *PRIIP* is made available to retail investors (as defined in the *PRIIPs Regulation*).
- (2) The requirements of the *PRIIPS Regulation* are directly applicable.
- (3) As a result, if an *AIFM* makes the *AIF* it manages available to *retail clients* in the *United Kingdom* it must comply with the *PRIIPS Regulation*.
- (4) This means that, in addition to the prior disclosure of information set out at *FUND 3.2.2R* and *FUND 3.2.3R*, the *AIFM* must prepare:
- (a) a *key information document*; or
- (b) if the *AIF* is a *non-UCITS retail scheme*, a *key information document* or a *NURS-KII document*.

...

10 Operating on a cross-border basis

...

10.5 National private placement

...

Provision of key information document in accordance with the *PRIIPS Regulation*

- 10.5.13 G An AIFM that makes an AIF available to retail clients in the United Kingdom will need to draw up a key information document in accordance with the PRIIPS Regulation.

Annex H

Amendments to the Prospectus Rules sourcebook (PR)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1 Preliminary

1.1 Preliminary

...

PRIIPs Regulation

1.1.10 G An issuer, offeror or person requesting admission to trading should also consider whether the requirements of the *PRIIPs Regulation* apply.

App 1.1 Relevant definitions

App 1.1.1 **Note:** The following definitions relevant to the *prospectus rules* are extracted from the *Glossary*.

<i>PR</i>	...
<u><i>PRIIPs Regulation</i></u>	<u>Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs)</u> [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R1286]



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