

Consultation Paper

CP25/9**

Further proposals on product
information for Consumer
Composite Investments

April 2025

How to respond

We are asking for comments on this Consultation Paper (CP) by **28 May 2025**.

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Chapter 1

Summary

Why we are consulting

- 1.1** In CP24/30, we put forward our proposals for Consumer Composite Investments (CCIs). We consulted on a new product information regime to help consumers understand the investment products they are buying while giving firms flexibility to innovate and better support their customers.
- 1.2** Our aim is to simplify existing requirements, make product information more transparent and engaging, and better enable digital communications. We want consumers to be able to effectively compare investment products and have greater confidence when investing, to drive better decisions and outcomes.
- 1.3** CP24/30 did not include draft rules relating to consequential changes to other Handbook materials or draft transitional provisions or amendments to the transaction costs methodology, both of which we flagged we would consult on in 2025. This was so as not to delay the publication of the overarching framework for CCIs.
- 1.4** We are now consulting on these remaining issues to support the regime in this second consultation:
- we set out a revised proposed approach to the calculation of transaction costs to remove the requirement for firms to calculate and disclose implicit transaction costs. This simplification would remove a significant compliance burden for firms, while ensuring that consumers are still provided with the most relevant information about the transaction costs of their chosen product.
 - we set out proposed revisions to simplify current cost disclosure rules reflecting assimilated requirements of the Markets in Financial Instruments Directive (MiFID) Organisation Regulation (MiFID Org Reg) and bring them into line with our proposals for CCIs.
 - we provide more detail, and set out proposed drafting, on transitional provisions to allow firms flexibility to move across to the new regime as soon as they are ready, and on basic complaints handling requirements in the Product Disclosure Sourcebook (DISC) for non-authorised persons in scope of the CCI regime.
 - finally, we set out proposed consequential amendments to the FCA Handbook that result from the replacement of the previous regimes with new CCI rules.
- 1.5** This consultation paper (CP) is not intended to respond to the feedback received to CP24/30 and we intend to respond to feedback to this CP and to CP24/30 together in a single policy statement.

- 1.6** CP24/30 closed on 20 March 2025 and we are currently analysing the responses in detail. We received a large number of responses and are grateful to all respondents for their constructive feedback, and the broad support that was expressed for our intention to create a flexible and proportionate disclosure regime.
- 1.7** This is a collaborative policy process, and we will be engaging closely with stakeholder working groups to resolve the main points of feedback from CP24/30, which include aspects of costs and charges disclosure, the balance of responsibilities between manufacturers and distributors, and the best ways to achieve flexibility, innovation and enhanced consumer engagement. We want to bring manufacturers, distributors, industry bodies, consumer representatives, and other stakeholders together to design outcomes-focused regulation that is fit for many years to come.

The CCI regime

- 1.8** On 21 November 2024, the Government made legislation to enable the FCA to put the CCI regime in place. The CCI regime will apply to products currently subject to the Packaged Retail and Insurance-Based Investment Products (PRIIPs) regime, as well as to Undertaking for Collective Investment in Transferable Security (UCITS) funds, in each case where the investment is made available for distribution to retail investors. This will include overseas funds in the Overseas Funds Regime (OFR), and other recognised schemes.
- 1.9** The CCI regime will apply to any firm that manufactures or distributes a CCI to retail investors in the UK. Some persons or entities who carry out a CCI designated activity will not be an authorised person. But the designated activities legislation empowers us to make rules that also apply to non-authorised persons in relation to their CCI activities. All rules for the new CCI regime will be in our Handbook.
- 1.10** Our proposals apply to:
- a manufacturer of a CCI – a person who creates, develops, designs, issues, manages, operates, or carries out a CCI
 - a distributor of a CCI – a person who offers, advises on, or sells a CCI, or provides investment services relating to a CCI to retail investors
- 1.11** This consultation will interest:
- consumers and consumer organisations
 - those who manufacture PRIIPs, UCITS, non-UCITS retail schemes (NURS), recognised funds, or non-PRIIP packaged products (excluding pensions products), including in particular:
 - issuers or underwriters of securities that are or may be classed as PRIIPs (including businesses that do not require Part 4A authorisation under the Financial Services and Markets Act (FSMA) 2000)
 - fund managers, including overseas fund managers of recognised funds
 - issuers of structured products and derivatives

- those who advise on or sell PRIIPs, UCITS, NURS, recognised funds or non-PRIIP packaged products, including in particular:
 - wealth managers, financial advisers, and stockbrokers
 - discretionary investment management firms
 - life insurance companies
 - firms providing services for insurance-based investments
 - firms operating retail investment platforms
- industry bodies that represent or provide professional services to these groups

What we want to change

- 1.12** We want a simpler and more flexible retail disclosure regime that gives consumers higher quality and more useful information and empowers firms to design more engaging ways of communicating that information to consumers. We also want to ensure that the responsibilities of manufacturers and distributors are clear during the transition period to the CCI regime. This CP sets out proposals about:
- alignment of current cost disclosure requirements in the assimilated MiFID Org Reg
 - changes to the calculation of transaction costs
 - rules governing the transitional period between current requirements and the CCIs regime
 - consequential amendments to other areas of our Handbook
 - basic complaints handling requirements for certain unauthorised CCI manufacturers
- 1.13** We intend to make changes to rules on costs and charges disclosures (originating in MiFID Org Reg Articles 50 and 51) when restating these requirements in our Handbook, with a view to simplify them and bring them into line with our proposals for CCIs. This will help us to achieve a simpler and more consistent regime for cost disclosures, pending further work on replacement of assimilated EU law in our Conduct of Business Sourcebook (COBS).
- 1.14** We propose to maintain requirements to disclose transaction costs. However, we are proposing to change the calculation of transaction costs to remove 'implicit' costs and keep 'explicit' costs. This will significantly reduce the complexity of this aspect of our rules while retaining important information for consumers.
- 1.15** We set out our proposed rules for the transitional period, detailing our intentions for how the process for firms to move to the CCI regime will work.
- 1.16** We also propose consequential amendments to the FCA Handbook that are needed because of the replacement of PRIIPs and the UCITS Key Investor Information (KII) Regulations with CCI rules. This will ensure consistency throughout our rules.
- 1.17** We propose to require certain unauthorised manufacturers of CCIs to implement complaints handling procedures. These firms will be expected to provide consumers with appropriate information about how to register a complaint, and to deal with complaints competently, diligently, impartially and without unreasonable delay.

Outcomes we are seeking

- 1.18** Through the CCI regime, we want consumers to:
- have accurate, understandable and broadly comparable information
 - receive engaging information and use it in their decision-making process
 - be able to compare investments more effectively, and more easily find the best product for their needs
- 1.19** By setting proportionate requirements that encourage firms to innovate in the way they communicate product information, we want more consumers to engage with retail investments, improving the competitiveness of UK capital markets and promoting growth.

Measuring success

- 1.20** We will support firms with implementation and carry out supervisory work following implementation to understand how our changes are working.
- 1.21** To measure success, we will:
- evaluate the success of our proposals by using data from a variety of sources including supervision and authorisation activities, and complaints data
 - review data on firm and Financial Ombudsman complaints to understand how these proposals are affecting consumers
 - monitor the success of this work through our ongoing monitoring of the Consumer Duty to understand how these rules interact with the Duty in practice
 - monitor our fulfilment of the secondary international competitiveness and growth objective (SICGO) by monitoring international trends relating to disclosure standards and the impact on the market
 - monitor the market trust of UK retail investors using the Financial Lives survey (FLS)

Next steps

- 1.22** We welcome feedback on the questions in this consultation by 28 May 2025.
- 1.23** We will respond to responses to CP24/30 and this consultation together, and make sure stakeholders' updated views are taken into account. Should any respondent wish to amend their response to CP24/30 in light of this consultation, they are welcome to do so.
- 1.24** We will continue our detailed engagement with a wide range of stakeholders on the issues discussed in this consultation and our wider CCI proposals to create a regime that works for consumers and the wider market.

- 1.25** We plan to issue a Policy Statement (PS) with final rules in late 2025. We anticipate adjusting the timelines we proposed in CP24/30 for the regime to become effective, so that the regime comes into force for all firms at the same time.
- 1.26** Please respond to this CP by completing our website form or by emailing cp25-9@fca.org.uk.

Chapter 2

The wider context

- 2.1** Our proposed new regime for communicating product information about CCIs will replace the retail disclosure requirements in the PRIIPs Regulation and the Key Investor Information requirements that apply to UCITS and NURS. We intend to improve consumer engagement with investing by making it easier for them to compare products and find the best one for their needs. We propose to do this by bringing retail product information for these products under one cohesive framework, and by drawing on relevant obligations under the Consumer Duty. We also want to set proportionate requirements that encourage firms to innovate in the way they meet customers' information needs at the pre-sale stage.
- 2.2** The CCI regulatory framework has been facilitated by the Designated Activities Regime (DAR). The DAR legislation gives us certain rulemaking, supervisory, and enforcement powers over non-authorised persons who carry out certain activities designated by the Treasury, without them needing to be authorised by the FCA.
- 2.3** The DAR is designed to enable regulation of activities that it would not be suitable to bring into the Regulated Activities Order regime. This allows for a more proportionate form of regulation, including for those businesses that carry on some financial services activities when their primary business may not be a regulated activity. All persons or entities who engage in the relevant manufacturing or distributing activities in respect of CCIs made available to retail investors in the UK will be subject to the final regime and FCA requirements, regardless of whether they are an authorised person.

Previous engagement

- 2.4** We published [DP22/6 – Future Disclosure Framework](#) in December 2022 as a complementary paper to [The Treasury's consultation](#). We wanted to explore what good retail disclosure should look like and to understand how we can design a new product information framework tailored to the UK market. We received feedback from a wide range of stakeholders. Most welcomed the retirement of the PRIIPs regime and supported a more outcomes-focused regime facilitated by the Consumer Duty. Consumer organisations emphasised the importance of comparability for decision-making, while firms prioritised standardisation of information across substitutable products.
- 2.5** In December 2024, we set out most of our proposals for a new CCI regime (CP24/30). That consultation closed in March 2025 and we are grateful to all stakeholders who responded and engaged with us through the consultation period. We are currently analysing their responses.

How it links to our objectives

- 2.6** The rules and guidance we are consulting on here and in CP24/30 would be implemented in tandem with Treasury's repeal, under FSMA 2023, of the assimilated EU law we propose to replace. Moving product information requirements to a domestic framework in our Handbook will allow us to make sure it is appropriate to the UK context and to make necessary changes more quickly to respond to new challenges and emerging harms.
- 2.7** We have discussed our approach with the Financial Services Consumer Panel, FCA Practitioner Panel, and FCA Smaller Business Practitioner Panel. We thank the Panels for their input and plan to engage further with them before finalising rules.

Consumer protection

- 2.8** When investors engage with clear and useful information, they can make informed decisions that fit their financial circumstances, risk tolerance, and saving goals. Our proposals should advance this objective by setting appropriate standards that allow firms to do more to make sure consumers are supported in their decision-making, but without unduly burdening firms with requirements that are unlikely to help improve consumer outcomes.

Market integrity

- 2.9** We want to facilitate good quality product information that is accurate and comparable. This enables investors to buy products or services that are likely to suit their circumstances, increasing trust in the market.

Competition

- 2.10** An effective product information regime should include high quality, well timed, and comparable information to support consumers' decision making. It should also allow firms to compete on the merits of their products. Our proposals should result in firms providing their customers with engaging and relevant information that empowers them to make timely, well-informed decisions. It also allows firms to highlight features of their products. The proposed standardisation of key metrics will enable consumers to compare products more effectively, and efficiently, facilitating comparison across substitutable products.
- 2.11** Together this should promote effective competition in the interests of consumers, encouraging firms to attract consumers by providing good value and high-quality products.

Secondary international competitiveness and growth objective

- 2.12** The proposals in this CP aim to enable consumers to make well-informed investment decisions, to invest with confidence, understanding risks and protection. This will help build trust and confidence in UK financial markets, in turn increasing participation in investment and the desire to do business in the UK.
- 2.13** We are also reducing the prescriptive and templated requirements on firms. Proportionate regulation enhances competition and makes the UK a more attractive place for firms to enter, improving the UK's competitiveness as a financial hub.

The Consumer Duty

- 2.14** We set out our approach to the Consumer Duty in CP24/30 where a number of our proposed rules and guidance are modelled on Consumer Duty provisions and adapted to the CCI context and we consider that this approach remains appropriate. As well as setting rules for authorised firms, the CCI regime also applies to unauthorised firms, which are not subject to the Duty. And authorised firms may find that our approach, tailored to the relevant context and minimising cross-references to other sourcebooks, makes the rules and guidance more accessible.
- 2.15** In March 2025, we published [feedback to the Call for Input](#) which had asked whether we could simplify our requirements through greater reliance on high-level rules, while ensuring we continue to support and protect consumers. A theme in stakeholder responses related to future-proofing disclosure by allowing firms more flexibility to tailor customer-facing communications in a way which promotes consumer understanding and allows for more modern customer journeys. Our proposals are intended to facilitate this, and we will take account of relevant responses to the Call for Input as we continue to develop the CCI regime.

Question 1: Do you have any additional comments on our approach to the Consumer Duty?

Environmental, social & governance considerations

- 2.16** We have considered the environmental, social, and governance implications of our proposals and our duty under s.1B(5) and 3B(c) of FSMA 2000 to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021.

Equality and diversity considerations

- 2.17** We consider that our equality and diversity assessment from CP24/30 is applicable. We will continue to consider the impact on groups with protected characteristics from our proposals.

2.18 23% of all UK adults currently hold a CCI. Based on FLS 2024, the following groups of consumers are more likely to currently hold a CCI:

- **Older consumers** – 28% of consumers aged over 45 hold a CCI, compared to 17% of those aged under 45.
- **Retired consumers** – 36% of retired consumers hold a CCI, compared to 19% of those who are not retired.
- **Consumers who do not show signs of vulnerability** – 29% hold a CCI, compared to 17% of those who show at least one characteristic of vulnerability.
- **Consumers with higher household incomes** – 35% of those with household income over £50,000 hold a CCI, compared to 18% of those with household income under £50,000.
- **Consumers with greater financial numeracy skills** – 36% of those with higher levels of numeracy relating to financial concepts hold a CCI, compared to 14% of those with lower levels.

2.19 We have considered how good quality communications can improve outcomes for consumers with characteristics of vulnerability or who may be underrepresented in investing. It is important that communications are engaging and consider varying levels of financial sophistication to increase understanding and participation where appropriate.

2.20 Overall, we do not consider that the proposals adversely impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies).

2.21 We will revisit our assessment when making final rules. In the meantime, we welcome feedback.

Chapter 3

Cost information

Transaction Costs

- 3.1** It is important consumers understand the likely impact of transaction costs on their investments and how a manufacturer can execute a particular strategy. In CP 24/30, we noted that the PRIIPs regulation requires the disclosure of transaction costs, both explicit and implicit, while UCITS mandates an explanation where these costs are likely to have a significant impact on returns. We set out our intention to require transaction costs to be disclosed under the CCI rules, and said that we would consult on amendments in 2025.
- 3.2** We propose to remove the requirement for firms to calculate and disclose implicit transaction costs as part of their CCI cost disclosures. This will mean there is no need for firms to use the slippage methodology, which we are removing from our proposed rules. This simplification would remove a compliance requirement for firms, while ensuring that consumers are still provided with the most relevant information about the transaction costs of their chosen product.
- 3.3** Implicit transaction costs, including slippage (the difference between the price at which a trade is executed and the 'arrival price' when the order to trade is transmitted to the market), can be imprecise and hard to measure accurately. The bid-ask spread (the difference between the buying and selling price) is determined by market movements and can be largely outside the control of firms, producing both positive and negative costs. The implicit transaction cost figures resulting from calculations under current requirements are often quite small.
- 3.4** On the other hand, firms tend to have a degree of control over explicit transaction costs, such as broker fees, exchange fees, and stamp duty. Such costs are also simpler to measure and provide useful information on the potential impact of the costs of the transactions required to pursue a particular strategy. We consider a numeric estimate of explicit transaction costs more useful information to support consumer understanding of the costs associated with the product, how that might impact the return on their investment, and to support their ability to compare products more effectively than a qualitative narrative.
- 3.5** We propose that explicit transaction costs should be disclosed as described in CP 24/30; that is, disclosed separately from other ongoing costs and also included in the summary cost figure (see CP24/30 5.42 and 5.46), however we are interested in views on this. We propose retaining the requirement that where the CCI has been operating for at least 36 months, the explicit transaction costs should be based on an average of incurred transaction costs, and should be estimated on a reasonable basis where it has been operating for less than 36 months.

- 3.6** In the section below, we set out our proposals to simplify MiFID cost disclosures rules and ensure they align with the proposed disclosure requirements under the CCI regime. Under our proposals, the costs to be disclosed under the replacement to the MiFID rules will, for a CCI, be the same (before and after the sale) as required to be disclosed in the product summary under our proposed CCI rules. This includes removing the requirement to disclose post-sale implicit transaction costs for CCIs.

MiFID Reform

- 3.7** In March 2024, the Treasury announced its intention to repeal the assimilated MiFID Org Reg as part of work on MiFID II frameworks following the Wholesale Markets Review. On 27 November, we published our consultation (CP24/24) proposing to transfer the firm-facing requirements of the MiFID Org Reg into our Handbook. In this consultation, we are proposing Handbook rules to replace the firm-facing requirements in Articles 50 and 51 of the MiFID Org Reg.
- 3.8** We want to reflect Handbook drafting style, simplifying and clarifying where possible. As part of this we are proposing a rewrite of Article 50 requirements, and a deletion of the transferred Article 51. We have committed to a wider review of the requirements of MiFID, including the extent to which we can rely on the Consumer Duty alone, pending further work on some related conduct of business requirements originating in the MiFID Org Reg.
- 3.9** Firms have previously raised concerns that the cost disclosure requirements of the MiFID Org Reg overlap or contradict those of PRIIPs and UCITS. We want to ensure that this is not the case under the CCI regime. We do not consider that our proposals involve significant changes to existing substantive requirements under Article 50 MiFID Org Reg, though we consider that some change is needed to rationalise these requirements and to achieve consistency with our CCI proposals on disclosure of costs and charges.

MiFID cost and charges disclosures

- 3.10** For CCI products, we want to align pre- and post-sale cost disclosure requirements in COBS rules derived from the MiFID Org Reg, to ensure there are no duplicative or conflicting requirements in respect of investments within the scope of the CCI rules in DISC. This should produce a consistent account of costs, so that the information about costs presented to consumers before and after the purchase of a product is calculated in the same way, in line with the final CCI rules.
- 3.11** In CP24/24 we propose to transfer Article 50 MiFID into COBS 6.1ZA.14R. In our proposed rewrite (COBS 6.1ZA.14BR), we include a provision setting out that the types of CCI product costs and charges required to be aggregated for MiFID pre- and post-sale disclosure are the same as those required to be disclosed in the CCI product summary. We are also proposing minor amendments to Table 2 of COBS 6 Annex 7 to reflect our intended alignment with CCI rules.

Article 51

- 3.12** Article 51 of the MiFID Org Reg only applies to products that will be CCIs under our new regime, and requires disclosure of any other costs and charges not already disclosed under Article 50 requirements. We propose to delete Article 51 (currently being transferred into COBS 14.3A.11R) without restatement. We do not consider that this additional requirement is needed, because we intend our proposals to include all the cost components important for consumer understanding. This will provide certainty for firms that the CCI regime encompasses all the pre-sale product cost disclosures they are required to make.

- Question 2:** Do you agree with our proposal to require disclosure of explicit transaction costs? If not, why?
- Question 3:** Do you agree with our proposal not to require disclosure of implicit transaction costs? If not, why?
- Question 4:** Do you agree with our proposal to require the separate disclosure of transaction costs, and their inclusion in the summary cost figure? If not, why?
- Question 5:** Do you agree with our proposed rewriting of Article 50 requirements? If not, why?
- Question 6:** Do our draft rules replacing Article 50 achieve the intended rationalisation and alignment with proposed CCI rules? If not, why?
- Question 7:** Do you agree with our proposal to delete Article 51 of the MiFID Org Reg (COBS 14.3A.11)? If not, why?

Chapter 4

Consequential Handbook amendments, transitional provisions and complaints handling

- 4.1** In CP24/30 we said that we would consult separately on transitional provisions and consequential Handbook changes. In this chapter, we outline proposals for the CCI transitional period, consequential changes to other areas of the FCA Handbook, and complaints handling principles for unauthorised manufacturers.

Transitional provisions

- 4.2** In CP24/30, we set out our proposed implementation timeline for firms moving to the CCI regime, and optionality for firms during the transition period.

Table 1: Summary of transition period proposals in CP24/30

Product	Interim requirements	Must follow CCI requirements
PRIIPs	May continue to follow PRIIPs requirements until end of transition period	18 months after the PS and final rules are published
UCITS, NURS (Including OFR)	Exempt from PRIIPs until end of 2026 – may continue to follow KII Regulations	18 months after the PS and final rules are published
Investment companies subject to the PRIIPs exemption	Currently exempt from PRIIPs requirements	12 months after the PS and final rules are published

- 4.3** We will consider feedback from both consultations to inform our final position. We set out below more detailed proposed requirements for manufacturers and distributors during this transition period, regardless of its length.

Manufacturers

- 4.4** During the transition period, we intend to provide manufacturers with the option to continue to produce a Key Investor Information Document (KIID) for UCITS funds, a NURS-KII document or a KID for NURS funds, or a Key Information Document (KID) for products that are required to do so under the PRIIPs regime.
- 4.5** Our proposed transitional provisions also account for manufacturers whose products are currently subject to alternative disclosure arrangements. For example, the Consumer Duty and COBS set obligations on firms in relation to the retail distribution of UK-listed closed-ended investment companies, which have been carved out of the

scope of PRIIPs Regulation pending the CCI regime coming into place. In these cases, the manufacturer will be able to continue with their alternative arrangements during the transition period if they wish.

- 4.6** Manufacturers will be able to opt to transition to the production of a product summary as set out in our final rules at any time during the applicable transition period. Both new and existing products will have the option to follow the outgoing regime or switch to the incoming CCI rules during the transition period.
- 4.7** Firms which continue to comply with the retail disclosure requirements that currently apply to them (as if they continued to apply during the transition period) will be considered compliant until the end of the transition period. Firms that opt to produce a product summary instead will only need to comply with the rules in DISC that apply to the content of the product summary. The other rules in DISC will only come into force post transition period. This is to ensure that the rules during the transition period are not overly complex for firms.
- 4.8** This means that manufacturers will be responsible for producing a KID/KIID/product summary and making it available to distributors. If manufacturers opt to produce a product summary during the transition period, we propose that they will not be required to follow the full requirements under DISC, for example our proposal to make 'core information' available in a machine-readable format. We want to ensure that firms have the full transition period to prepare for new processes introduced under CCIs and are not disadvantaged if they switch to using the product summary ahead of this.
- 4.9** Our proposed rules for the transition period will ensure that UCITS and NURS manufacturers will be able to continue to produce a KIID/NURS-KII document if they wish, until the proposed transition period has ended (see table 1 above). As our CCI regime, including the transitional provisions, will (once finalised) replace the PRIIPs Regulation which is to be repealed by HMT, UCITs manufacturers will not need to transition from providing a KIID to a PRIIPs KID at any point.
- 4.10** We will also consider all other feedback on the transition period timeline we proposed in CP24/30, to inform our final policy on the implementation period.

Distributors

- 4.11** Our proposed transitional provisions aim to ensure that distributors do not have to adjust between different obligations under the new and old regimes, based on the type of disclosure document a manufacturer opts to prepare during the transition period.
- 4.12** As a starting point, distributors will be responsible for ensuring that the document prepared by the manufacturer is presented to a consumer sufficiently early before the point of sale to allow the investor enough time to consider it. We will continue to accept as compliant disclosures that are provided in a manner that is consistent with the regime for which the document was previously produced.
- 4.13** Some elements of the proposed CCI regime will not be in effect during the transition period, as the proposed requirements under DISC will not yet be applicable to distributors. For example, distributors will not have the option to substitute the

manufacturer's product summary with their own. We propose that this will only become an option for distributors post-transition period, as the alternative would involve complexity and potential confusion during the transition period.

- 4.14** Following the transition period the final rules under DISC will come into effect.

Consequential amendments

- 4.15** There are several areas of the Handbook that will be impacted by the replacement of requirements relating to PRIIPs and the KII Regulations with requirements for CCIs.
- 4.16** We are proposing changes needed to update existing PRIIPs- and KII-related references to reflect the CCI regime.
- 4.17** We have identified that changes are required to the following Sourcebooks:

Table 2: Sourcebooks where consequential changes are required

Sourcebook
General Provisions (GEN)
Conduct of Business (COBS)
Banking Conduct of Business (BCOBS)
Environmental, Social and Governance (ESG)
Collective Investment Schemes (COLL)
Investment Funds (FUND)
Prospectus Regulation Rules (PRR)
Glossary

- 4.18** The consequential changes are intended to ensure that the terminology and cross-references in these Sourcebooks and materials accurately reflect the new regime that we proposed in CP24/30, as well as preserving the status quo, where appropriate.
- 4.19** The changes we have proposed to these sourcebooks may be grouped into four categories:
- Replacing references to the PRIIPs, UCITS-KII and NURS-KII regimes with references to the CCI rules under DISC in the Handbook.
 - Replacing references to documents required under the PRIIPs, UCITS-KII and NURS-KII regimes. These include the key information document (KID), key investor information document (KIID) and the NURS-KII document, all of which will be replaced with references to the product summary as required under DISC.
 - Sign-posting in other sourcebooks the provisions and guidance proposed in DISC 1A relating to requirements for:
 - The production of the product summary
 - Sharing of information between manufacturers and distributors

- Distributors' obligations for the presentation and delivery of information to consumers
- d. Deletion of rules and guidance relating to the outgoing disclosure regimes which will be replaced by DISC provisions.

4.20 We outline the more significant proposed changes that may have a practical effect on firms' operations.

Notable changes to the Conduct of Business (COBS) Sourcebook chapter 4

4.21 We propose to delete the application rule in COBS 4.1.7AR, and related guidance in COBS 4.5.17G and COBS 4.5A.18G. That rule had the effect of dis-applying the rules in COBS 4 to the form and content of a KIID or a NURS-KII document, where these requirements might be incompatible with the required template. Our requirements under the proposed CCI framework are more flexible, allowing more freedom for firms to add information to the product summary. We therefore consider that the communication rules under COBS 4 should apply.

4.22 Our requirements relating to the presentation of past performance under DISC differ in some respects from those under the financial promotion rules in COBS 4.6.2R and COBS 4.5A.10UK. For example, the proposed rules in DISC require 10 years of past performance, when the COBS rules only require 5 years. We are proposing that COBS 4.6.2R (and related guidance) and COBS 4.5A.10UK do not apply when presenting past performance information in the product summary. Where past performance information for a CCI is presented elsewhere, we are proposing that it may comply with either COBS 4.6.2R/COBS 4.5A.10UK (as applicable), or DISC 3.4/DISC 5.3.

Notable changes to Collective Investment Schemes (COLL) Sourcebook

4.23 We propose to delete COLL 4.7. This refers specifically to key investor information to be provided in relation to either a fund manager of a UCITS scheme, or a non-UCITS retail scheme where the fund manager draws up a NURS-KII document.

4.24 As we propose to replace the KIID with the product summary under CCIs, this section will not be relevant. We have, however, proposed to carry forward certain requirements from COLL 4.7 to DISC where they do not relate specifically to key investor information. This includes a proposed rule in DISC to require firms to file a copy of the product summary of each UCITS scheme and NURS they manage with us, as currently required under COLL 4.7.7.

4.25 We propose to exclude authorised contractual schemes (ACS) and qualified investor schemes (QIS) from the requirements for CCIs. QISs and ACSs are not intended for the general retail market and investors must meet eligibility criteria. Because of this, we think it would be disproportionate to apply the CCI regime to these funds.

- 4.26** The product summary is designed to be presented to retail investors only, so we do not consider that the requirement for a master UCITS to provide a feeder UCITS with a copy of its key investor information (COLL 11.3.2R(1) and COLL Annex 11(1)(a)) should be retained under the CCI regime. We also propose not to keep the requirement for the submission of a copy of the key investor information of both the feeder and master UCITS when making an application for approval of an investment in a master UCITS (COLL 11.2.2R(1)(b)). We consider that these changes will make the requirements that apply to master and feeder funds more proportionate.

Changes to PROD 2

- 4.27** The CCI regulations provide us with the power to make temporary product interventions without consultation where we consider this necessary to protect consumers. These powers apply to unauthorised persons carrying on CCI activities under the DAR.
- 4.28** We are required under FSMA (as applied by the CCI regulations) to adopt a statement of policy for making temporary product intervention rules for unauthorised persons. We propose to adopt our existing statement of policy (found in PROD 2) in relation to our CCI product intervention powers, supplementing the policy to account for the application of these powers in a DAR context.
- 4.29** We propose that our main consideration for using the product intervention powers will generally be whether prompt action is needed to prevent consumer harm.

Complaints handling for unauthorised CCI firms

- 4.30** Unauthorised manufacturers and distributors of CCIs do not fall within the compulsory jurisdiction of the Financial Ombudsman Service (FOS). As a result, retail investors will have no right of access to the FOS in case of complaints against these persons.
- 4.31** We propose to apply simplified requirements on unauthorised manufacturers of CCIs (other than operators of OFR funds, see 4.33 below) to implement reasonable and transparent complaints handling procedures, so that they deal with complaints from consumers without unreasonable delay and in a competent, diligent and impartial way. We expect that the baseline that would be set by our proposed requirements on unauthorised persons in relation to complaints handling is broadly aligned with industry practice and current requirements under the PRIIPs Regulation.
- 4.32** The rules would require firms to provide consumers with appropriate information on how to make a complaint, send a complainant an acknowledgement of the complaint, and investigate and assess a complaint fairly and promptly. Firms would need to send a response to a complaint in writing with an explanation of their assessment of the complaint, and to comply in good time with any offer of redress once accepted by a complainant.
- 4.33** Rules in COLL 9 already require the operator of an OFR fund or a fund recognised under s272 FSMA to maintain facilities to enable UK investors to submit complaints about the operation of the scheme. COLL 9 also requires that there be facilities for OFR funds

that allow investors to obtain information about arrangements for the resolution of a complaint. We do not intend to revisit the position under COLL 9 rules for these funds, which would not be in scope of the proposed rules on complaints handling.

- 4.34** Our proposed requirements differ from the more comprehensive complaints handling requirements applying in relation to authorised firms. We consider this approach to be proportionate and to align with our broader approach to the CCI and DAR regime.
- 4.35** We proposed in CP24/30 that manufacturers and distributors be required to include appropriate information in product summaries on whether FOS or FSCS access will be available, to ensure consumers have this information when CCIs are offered to them.
- 4.36** We welcome views on whether the proposed approach is proportionate or whether any further obligations should apply to unauthorised manufacturers.

Question 8: Do you agree with the proposed options available to firms during the transition period? If not, why?

Question 9: Do you identify any potential problems with or omissions from our proposed consequential amendments to the Handbook?

Question 10: Do you agree with our approach to complaints handling for unauthorised persons and our proposal for simplified requirements on unauthorised firms within scope of CCI rules to implement complaints handling procedures? If not, why?

Chapter 5

Use of our FSMA powers

Part 11 and Part 14 powers

- 5.1** The CCI legislative framework forms part of the DAR. The Treasury amended Part 11 and Part 14 of FSMA to make available within the DAR the majority of the investigative and enforcement powers applicable to authorised persons. The Treasury delivered these amendments through the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2024 (the DAR Regulations). The overall effect is to enable the FCA to investigate and take enforcement action in relation to breaches of CCI requirements, irrespective of whether the person is authorised or unauthorised.
- 5.2** This is the first FCA consultation on DAR activities to which FSMA, as amended by the DAR Regulations, will apply. The Treasury has made other designated activities in relation to which the FCA has consulted on the use of its investigative and enforcement powers, however the relevant legislation pre-dated the DAR Regulations.
- 5.3** The Decision Procedure and Penalties Manual (DEPP) and the Enforcement Guide detail FCA policy on the use of Part 11 and Part 14 powers. Those policies will be the same whether they are being exercised in connection with a regulated activity or a designated activity.
- 5.4** As well as amending existing Part 11 and Part 14 powers, the DAR Regulations inserted into Part 14 a new prohibition power bespoke to the DAR (section 206B). The power enables the FCA, where a person has contravened a designated activity requirement, to prohibit that person from carrying on a designated activity or to impose such restrictions in relation to the carrying out of that activity as the FCA considers appropriate. Section 206B also provides for a person subject to a prohibition or restriction to apply for the withdrawal or variation of that prohibition or restriction (see section 206B(4)).
- 5.5** When considering applications to withdraw or vary a section 206B prohibition or restriction, we will weigh the relevant circumstances before arriving at a proportionate decision. The relevant circumstances will include (but not be limited to) the interests of the person concerned (i.e. their ability to carry on their chosen line of business), the ongoing need to deter others from similar misconduct and the ongoing need to guard against the risk of repeat misconduct from the person concerned. As noted above at paragraph 2.2, the DAR does not involve an authorisation gateway. We will take that into account when assessing the risks of withdrawing or varying a s.206B prohibition or restriction.
- 5.6** The Regulatory Decisions Committee (RDC) is the decision-maker for any enforcement action under Part 14. Executive Procedures (see DEPP 4) do not apply. Part 14 will now include section 206B. We intend for the RDC to continue to be the decision-maker for any enforcement action under Part 14, as well as in relation to applications for withdrawal or variation under section 206B(4).

Power of direction

- 5.7** Regulation 7 of the CCI statutory instrument includes a power for the FCA to give a direction imposing on firms such requirements as the FCA considers appropriate in relation to the carrying on of an activity specified in regulation 5. The FCA may, for example, use this power when our supervisory work indicates that it would be appropriate to intervene to mitigate risk of harm.
- 5.8** FSMA 2000 (as amended by the DAR Regulations) contains relevant procedural provision for the giving, varying or withdrawal of a direction. Where the direction is given to a specific person (i.e. otherwise than by publication only), the FCA must give the person a supervisory notice. FCA refusal of an application to vary or revoke the direction will also give rise to a supervisory notice.
- 5.9** We intend for decisions on these supervisory notices to be made under Executive Procedures, in line with the general approach in DEPP to the exercise of intervention powers (e.g. our Part 4A own initiative requirement power).

Question 11: Do you agree with our proposal to extend the policies and procedures in DEPP which relate to the exercise of powers under Part 11 and Part 14 to breaches of CCI requirements? If not, why?

Question 12: Do you agree with our proposal that decisions to take enforcement action under Part 14, together with determinations of applications under section 206B(4), should be taken by the RDC? If not, why?

Question 13: Do you agree with our proposal that Executive Procedures is the right mechanism for making decisions when giving directions or determining an application to vary or revoke a direction? If not, why?

Annex 1

Questions in this paper

- Question 1:** Do you have any additional comments on our approach to the Consumer Duty?
- Question 2:** Do you agree with our proposal to require disclosure of explicit transaction costs? If not, why?
- Question 3:** Do you agree with our proposal not to require disclosure of implicit transaction costs? If not, why?
- Question 4:** Do you agree with our proposal to require the separate disclosure of transaction costs, and their inclusion in the summary cost figure? If not, why?
- Question 5:** Do you agree with our proposed rewriting of Article 50 requirements? If not, why?
- Question 6:** Do our draft rules replacing Article 50 achieve the intended rationalisation and alignment with proposed CCI rules? If not, why?
- Question 7:** Do you agree with our proposal to delete Article 51 of the MiFID Org Reg (COBS 14.3A.11)? If not, why?
- Question 8:** Do you agree with the proposed options available to firms during the transition period? If not, why?
- Question 9:** Do you identify any potential problems with or omissions from our proposed consequential amendments to the Handbook?
- Question 10:** Do you agree with our approach to complaints handling for unauthorised persons and our proposal for simplified requirements on unauthorised firms within scope of CCI rules to implement complaints handling procedures? If not, why?
- Question 11:** Do you agree with our proposal to extend the policies and procedures in DEPP which relate to the exercise of powers under Part 11 and Part 14 to breaches of CCI requirements? If not, why?
- Question 12:** Do you agree with our proposal that decisions to take enforcement action under Part 14, together with determinations of applications under section 206B(4), should be taken by the RDC? If not, why?

Question 13: Do you agree with our proposal that Executive Procedures is the right mechanism for making decisions when giving directions or determining an application to vary or revoke a direction? If not, why?

Question 14: Do you agree with our Cost Benefit Analysis? If not, why?

Annex 2

Cost benefit analysis

Introduction

1. The Financial Services and Markets Act (2000) requires us to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.
2. This analysis presents estimates of the impacts of our proposal. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide a qualitative explanation of their impacts. Our proposals are based on weighing up all the impacts we expect and reaching a judgement about the appropriate level of regulatory intervention.
3. In CP24/30, we put forward proposals for a new product information regime for Consumer Composite Investments (CCIs) and signposted we would be making some additional proposals in a second consultation that would be required to support the effective functioning of the CCI regime.
4. In this consultation, we have proposed consequential amendments to the FCA Handbook that result from the replacement of assimilated EU law with our new proposed rules in DISC. We have also proposed rules for the transitional period, complaints handling rules, and further details on our proposed cost disclosure rules, including our intention to align the Markets in Financial Instruments Directive Organisation Regulation (MiFID Org Reg) and to change the way transaction costs are calculated and disclosed.
5. The CBA has the following structure:
 - The Market
 - Problem and rationale for intervention
 - Options assessment
 - Our proposed intervention
 - Baseline and key assumptions
 - Summary of impacts
 - Benefits
 - Costs
 - Wider economic impacts
 - Monitoring and Evaluation

The Market

6. Our CBA in CP24/30 explained the structure and CCI market in depth. We have no new evidence that the market has changed substantially since the publication of CP24/30 in December 2024.
7. About 23% of adults (12.6m) hold an investment that could be classed as a CCI. In CP24/30, we estimated that there are currently 778 manufacturers, who design and manage CCIs. The FCA regulates over 5,000 firms who are authorised with the permissions necessary to distribute a CCI, including advisors, intermediaries, and platforms.

Problem and rationale for intervention

8. In this consultation paper (CP), we address several issues to support the effective functioning of the broader CCI regime, including consequential amendments to the FCA Handbook, further details on our proposed cost disclosure rules, rules for the transitional period, and complaints handling rules.
9. In CP24/30, we did not include rules to give effect to our proposals for the transitional period or set out consequential amendments to the Handbook. The rules we have proposed in this CP to give effect to those policies are necessary to ensure the effective functioning of the wider CCI regime and other rules in various parts of our Handbook. As our proposals for the transition to CCIs were laid out in CP24/30, we considered the costs and benefits of those proposals in the previous CBA. We do not count the benefits or costs of these proposals again in this CBA.
10. We are aware of the cost to firms involved in calculating implicit transaction costs and the risk to consumer understanding from potentially imprecise and hard to calculate information. The cost disclosure requirements in the MiFID Org Reg overlap with the requirements for PRIIPs and UCITS and, without amendments, would also create additional and duplicative requirements for CCIs. Those requirements would impose costs on manufacturers who would be required to calculate and disclose product information in compliance with both sets of rules.
11. Unauthorised firms do not fall within the compulsory jurisdiction of the FOS. As a result, customers of unauthorised manufacturers of CCIs may have no regulatory access to redress in the event of misconduct by those firms in the UK. We are proposing to require these firms to implement some complaints handling rules to make sure that consumers are provided with appropriate information on how to register a complaint, and to deal with complaints in a fair and reasonable way.

Options

12. In our reaching our preferred policy interventions, we considered several potential alternatives. We did not take these options forward for the reasons explained below.

MiFID Org Reg

- 13.** We could have chosen to align the CCI rules with the cost disclosure requirements originating in the MiFID Org Reg, rather than allow the costs disclosed in line with the rules in DISC to satisfy the MiFID Org Reg's requirements. However, we consider our proposed product information rules for CCIs to be better tailored to the different kinds of products within scope of the regime, more proportionate for firms, and to provide more useful information for consumers than the requirements originating from Articles 50 and 51 of the MiFID Org Reg.

Transaction costs

- 14.** We could require a description of transaction costs instead of a number. As firms would still need to calculate their transaction costs to know whether and how to describe those costs to consumers, we would not expect this option to lower the burden on them significantly. While this option would give some consumers some information about the transaction costs of a CCI, we consider a numeric estimate of transaction costs more useful information to support their understanding of the costs associated with the product, how that might impact the return on their investment, and to support their ability to compare products more effectively.

Complaints handling rules

- 15.** We could impose more detailed and stringent complaints handling requirements on unauthorised manufacturers in the UK, similar to the complaints handling requirements for authorised firms. This may further lower the likelihood that some consumers suffer harm in the event of misconduct by requiring those firms to implement more detailed procedures to consider and address consumer complaints. But it would also increase costs to some manufacturers, particularly as these are unauthorised firms. We do not think it would be proportionate to require them to implement more detailed complaints handling procedures, similar to those required for authorised firms, when weighed against the likely marginal benefit to consumers from having more detailed instead of higher-level rules.

Our proposed intervention

Implicit transaction costs

- 16.** We are proposing that the calculation and disclosure of transaction costs should not include implicit transaction costs. This will make the information given to consumers simpler, while ensuring that consumers are still provided with useful information about the costs of CCIs.

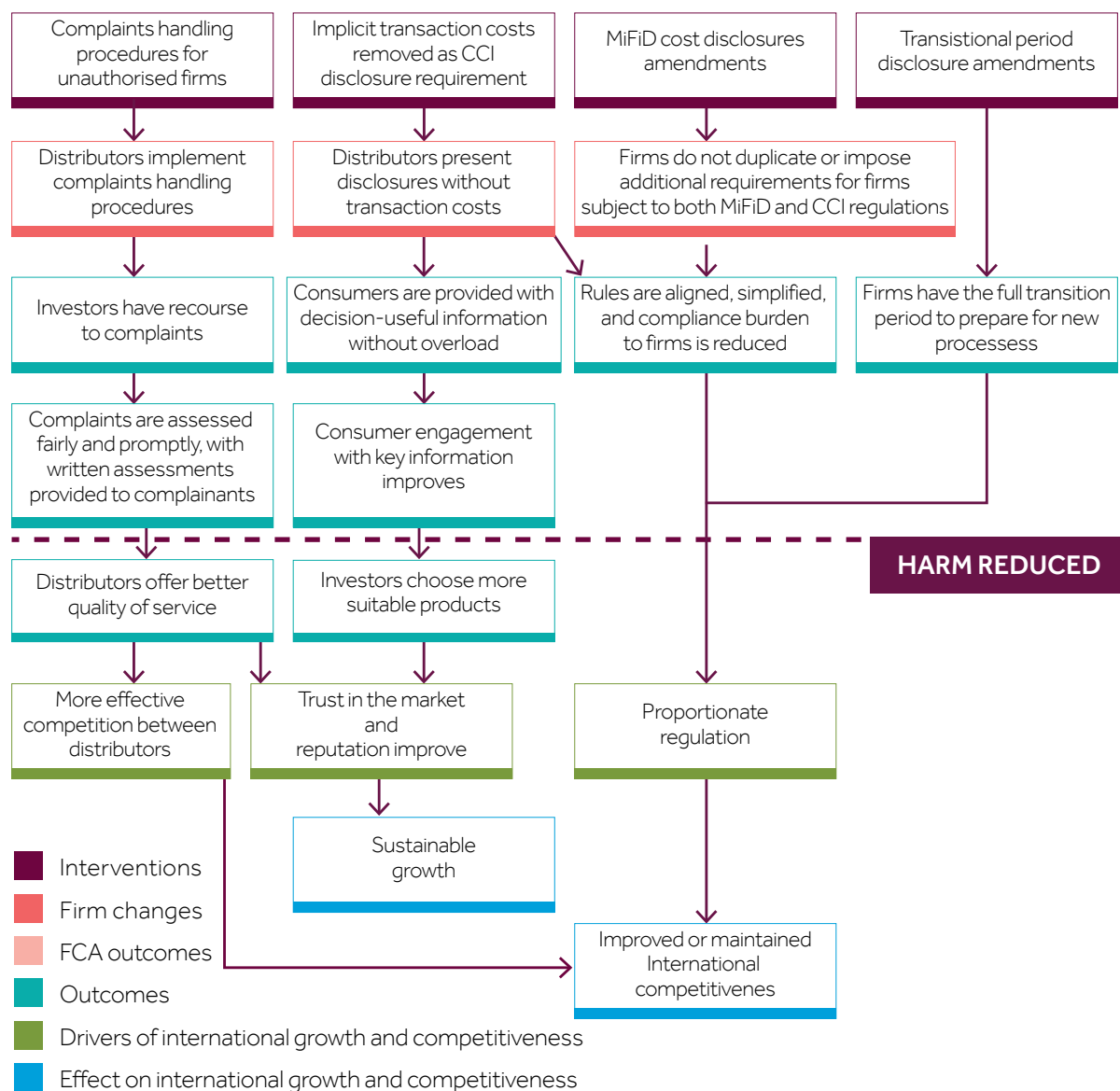
MiFiD cost disclosures

17. We want to ensure the disclosure requirements in the MiFID Org Reg do not duplicate or impose additional requirements to the CCI regime for products subject to both regulations. We are therefore proposing some amendments to MiFID cost disclosures to align them with the CCI rules. We explained these proposals for cost disclosure, including transaction costs, in chapter 3.

Complaints handling

18. To ensure firms deal with complaints in a fair and reasonable way, we're proposing to require unauthorised firms subject to the rules in DISC to implement certain complaints handling procedures. We set out these proposals in chapter 4.
19. Figure 1 below provides the causal chain of our proposed interventions, tracing the expected changes to consumer and wider benefits.

Figure 1: Causal chain



Baseline and key assumptions

- 20.** Our baseline is the set of proposals set out in our last CP, CP24/30. Here, we are only considering changes over and above those set out there.
- 21.** On transaction costs, our baseline is retaining both implicit and explicit factors in cost calculations, as in the PRIIPs regime and the provisional position in CP24/30. Our baseline assumes that no changes are made to Articles 50 and 51 of the MiFID Org Reg and those cost disclosure rules continue to apply to CCI products.
- 22.** In CP24/30, we estimated there are 778 manufacturers of CCIs, including 37 large firms, 150 medium firms, and 591 small firms and this remains an appropriate estimate. That estimate includes 8 large unauthorised firms, 32 medium unauthorised firms, and 98 small unauthorised firms. We estimated costs to manufacturers of £48.8m (present value (PV)) over our 10-year appraisal period, and benefits to consumers of £2.6m (PV), leading to a net cost of £46.2m (PV). There were additional benefits that we did not quantify which would be substantial but impractical to measure, including increased comprehension, engagement and, ultimately, suitable investments by consumers.

Summary of Impacts

- 23.** Over our 10-year appraisal period we estimate costs to manufacturers of £3.2m (present value (PV)). We do not consider it reasonably practicable to estimate the benefits of our proposals because it is often uncertain how many consumers or firms would benefit from our proposals and the nature of the benefits are often not quantifiable. The main benefits we have identified include more consumers having recourse to fair and reasonable complaints handling procedures and access to clearer product information, and cost savings to firms who do not have to calculate and disclose implicit transaction costs or additional cost disclosures under requirements originating in the MiFID Org Reg.
- 24.** As noted in the Market section, there are about 12.6m adults holding an investment that could be classed as a CCI. Converting the PV cost to equivalent annual net direct costs to business (EANDCB) of £0.38m, this would imply an annual required benefit per consumer of £0.03 to “break-even”. Through the introduction of our proposals, including reducing the amount of information provided to consumers, we expect consumer engagement and knowledge to improve, leading to the selection of more suitable products. With these potential outcomes and given £0.03 per consumer is a very small requirement, we consider this an achievable benefit to realise, and the intervention is proportionate.

Table 1: Summary table of benefits and costs

Group affected	Item description	Benefits (£)		Costs (£)	
		One off	Ongoing	One off	Ongoing
Firms (Manufacturers)	Familiarisation and legal costs (Direct)			£2.9m	
	Complaints handling costs (Direct)			£0.3m	
	MiFID Org Reg Changes			Negligible	
	Transitional amendments			Negligible	
	Non-disclosure of transaction costs (Direct)	Unquantified			
Consumers	Reduction in information overload		Unquantified		
FCA/wider society (if relevant)					
Total				£3.2m	

* Include any unquantifiable impact

** Highlight transfers in *italic*

Table 2: Present Value and Net Present Value

	PV Benefits	PV Costs	NPV (X yrs) (benefits – costs)	NPV (X yrs) (Adjusted-where relevant) (benefits – costs)
Total impact		-£3.2m	-£3.2m <i>(£m to £m)</i>	£m <i>(£m to £m)</i>
–of which direct		-£3.2m	-£3.2m	£m
–of which indirect			£m	£m
Key unquantified items to consider	Reduction of information overload to consumers			

Table 3: Net direct costs to firms

	Total (Present Value) Net Direct Cost to Business (10 yrs)	EANDCB
Total net direct cost to business (costs to businesses – benefits to businesses)	£3.2m	£0.38m

Benefits

Benefits to consumers

Having recourse to complaints procedures

25. Unauthorised firms make up a significant share of the CCI market. Without our proposed rules, there may be a risk that some of those firms might not consider or address complaints from consumers in a reasonable way or at all, resulting in consumer harm.
26. The complaints handling rules we are proposing should ensure that these firms establish processes to deal with complaints submitted to them by consumers in a fair and reasonable way. This should minimise the loss and harm that consumers experience in the event of misconduct.
27. We expect our proposal to provide significant benefit to those consumers who would otherwise not have their complaint heard or addressed in the event of misconduct by firms who chose not to implement effective complaints handling procedures.

Improving the quality and usefulness of information

28. As our previous research has shown, consumers need to know key information about products they are considering but there is a risk that too much information presented in the wrong way can limit their ability to find and understand the most important information to make a decision about a product.
29. We consider implicit transaction costs to be less useful to consumers looking to understand the costs and charges associated with their investment, as explained in chapter 3. Implicit transaction costs in the PRIIPs regime were calculated according to a conceptually and mathematically complex methodology that could sometimes produce complex results (such as negative transaction costs). This means there is a risk of confusion in trying to explain to consumers what these costs are and how they're calculated. We consider there is a benefit to consumers from removing the need to disclose implicit transaction costs, directing their attention to other, more relevant costs.

- 30.** Useful and clear product information is critical to support consumer understanding and ensure retail investors can make timely and effective decisions in line with their goals and risk tolerance. Improving the quality and usefulness of the information about transaction costs received by retail investors in CCIs should help to improve outcomes for a large number of those consumers. We do not consider it reasonably practicable to directly estimate the benefit of this change given the uncertainty over how many consumers would benefit from clearer information.

Benefits to firms

Not having to calculate implicit transaction costs

- 31.** Calculating implicit transaction costs can be complex and costly for firms. We consider this information is less helpful to consumers when they make decisions, relative to explicit transaction costs, which should be comparatively simple to calculate. On balance we think that implicit transaction cost reporting places an unnecessary cost on firms. We expect that removing the requirement for firms to include these in their disclosures will reduce costs for firms. Firms will not have to calculate or present these costs to consumers and hence will likely see cost savings.
- 32.** While we do not have precise estimates, we expect it would be a significant share of firms who stop calculating transaction costs, and therefore benefit from this removal.

Not having to calculate additional costs under the MiFID Org Reg

- 33.** The MiFID Org Reg has duplicative cost requirements that would apply to CCI manufacturers without our proposed changes. We are proposing to align the MiFID Org Reg with the CCI regime so that manufacturers of CCIs will no longer have to calculate or disclose any additional pre-sale costs that aren't required in the CCI regime. We expect this to generate a saving to those firms.

Costs

Costs to firms

Familiarisation costs

- 34.** The amended rules and guidance will be contained in a standard FCA publication. Firms will incur costs in resources needed to familiarise themselves with the rules in accordance with our SCM to identify and address any compliance gaps.
- 35.** We use standard assumptions from our SCM to produce an estimate of familiarisation costs. There are 35 pages of policy documentation excluding the legal instrument. Assuming 300 words per page and a reading speed of 100 words per minute, it would take around 1.75 hours. We assume that the document will be read only by compliance staff; 20 staff in large firms, 5 in medium and 2 in small. The hourly compliance staff salary assumption is based on the Willis Towers Watson 2016 Financial Services Report,

adjusted for subsequent annual wage inflation, and including 30% overheads. We expect all firms in scope to incur familiarisation costs. For an individual firm, this cost translates to approximately:

Small firm – £180

Medium firm – £540

Large firm – £2,300

- 36.** Hence, for the 778 firms affected, the total familiarisation cost is estimated to be £0.27m.

Legal Costs

- 37.** The legal instrument is 125 pages. We anticipate that 4, 2 and 1 legal staff will read the legal instrument in large, medium, and small firms respectively, taking 7 hours each. Basing the legal staff salary on the Willis Towers Watson 2016 Financial Services Report, uprated for wage inflation, we calculate total legal costs for individual firms, translating to approximately:

Small firm – £1,200

Medium firm – £7,500

Large firm – £22,000

- 38.** Hence, for the 778 affected, the total legal cost is estimated to be £2.6m.

Complaints handling rules

- 39.** We expect that unauthorised firms will incur a one-off cost from following new complaints handling requirements. These will be a simplified set of rules in comparison to those in place for authorised firms and therefore we expect this to be a very small system change for firms. There are 8 large unauthorised firms, 32 medium unauthorised firms, and 98 small unauthorised firms. There will be no costs to authorised firms as they will be subject to existing rules with no need for IT system changes.

- 40.** We use standard assumptions from our SCM to produce an estimate of a very small change of IT systems for the unauthorised firms subject to new complaints handling rules. We assume that the system change will require, across the standard IT project team structure, 5 person days for large firms, 2 person days for medium firms, and 2 person days for small firms. For an individual firm, this cost translates to approximately:

Small firm – £630

Medium firm – £700

Large firm – £4,300

- 41.** Hence, for the 138 unauthorised firms affected, the total IT cost from the changes to complaints handling rules is estimated to be £330,000.

- 42.** The need to establish complaints handling procedures could cause some firms to change or withdraw their products currently that would otherwise be available in the UK. We do not consider this risk to have a high likelihood, however, as the marginal cost to firms is likely to be relatively low.

Wider economic impacts, including on secondary objective

- 43. In our CBA in CP24/30, we discussed the wider economic impacts of the wider CCI regime. Our proposals here support the effective functioning of the wider CCI regime and we think their wider economic impacts will be the same.
- 44. Our proposals in this consultation are designed to support the effective functioning of the broader CCI regime. This should help to give firms more certainty about the regulatory environment and support consumers' trust in and engagement with investing. In turn, this supports UK competitiveness and growth, in line with our growth and competitiveness secondary objective.
- 45. Competition between manufacturers may increase as consumers' engagement with and understanding of products rises because of simplified disclosure information because of our proposed changes to the disclosure requirements originating in the MiFID Org Reg and implicit transaction costs. This may lead consumers to compare products more easily and make more suitable investments, increasing competitive pressure on firms to reduce their prices or innovate in other ways such as through creating new products.
- 46. The implementation of complaints handling processes for unauthorised firms may also increase transparency of the quality of firm service and behaviour. If consumers choose firms due to these processes, this may increase competition and ultimately increase growth as firms increase their focus on consumer experience.

Monitoring and evaluation

- 47. In our CBA in CP24/30, we set out plans for monitoring and evaluation, which also cover the proposals set out in this CP.

Question 14: Do you agree with our Cost Benefit Analysis? If not, why?

Annex 3

Compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with several legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (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 (a) is 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, (b) so far as reasonably possible, advances the secondary international competitiveness and growth objective, under section 1B(4A) FSMA, and (c) complies with 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 s 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. This Annex also sets out the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (section 1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.
4. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s 1JA FSMA about aspects of the economic policy of His Majesty's Government to which we should have regard in connection with our general duties.
5. This Annex includes our assessment of the equality and diversity implications of these proposals.
6. 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). This Annex sets out how we have complied with requirements under the LRRRA.

The FCA's objectives and regulatory principles: Compatibility statement

- 7.** The proposals set out in this consultation are primarily intended to advance the FCA's operational objective of protecting consumers. Effective disclosure is critical in the retail investment market. Consumers need to receive necessary information to make informed decisions on whether and how to invest their savings. We also consider our proposals are compatible with the FCA's strategic objective of ensuring the relevant markets function well, as failure to disclose key information properly can lead to consumer harm, through loss of confidence, failure to invest, or making inappropriate investments.
- 8.** We consider that our proposals are also relevant to the FCA's market integrity and competition objectives. We believe that clear and consistent disclosure is essential for consumer confidence in the market, and allows comparability between different products. The flexibility of the new rules will enable firms to disclose the necessary information to consumers in a timely and effective manner.
- 9.** We believe our proposals are compatible with our secondary international competitiveness and growth objective. Our proposals are designed to help drive a healthy investment culture. Increased participation in this market will benefit consumers and should provide capital to drive the economy and boost growth.
- 10.** The new CCI regime will allow firms to innovate and present new options to consumers and removes many of the prescriptive or templated requirements of the previous regimes. Proportionate regulation enhances competition and makes the UK a more attractive market to enter, improving the UK's competitiveness as a financial services hub.

The need to use our resources in the most efficient and economic way

- 11.** We have had regard to this objective when replacing the existing disclosure requirements set out across our handbook. Using the Consumer Duty as a starting point, we are able to introduce new rules in a more proportionate manner and reduce complexity in the Handbook.

The principle that a burden or restriction should be proportionate to the benefits

- 12.** The cost benefit analysis in Annex 2 presents the significant costs and benefits for the proposals in the CP. Firms can tailor their disclosures to better fit their products and the consumer's needs. We consider that proportionate and less prescriptive disclosure will benefit firms in the long run, as well as providing direct benefits to consumers by

enabling them to better engage, access and assess the information required to compare alternatives and make a more suitable purchase

The need to contribute towards achieving compliance by the Secretary of State with section 1 of the Climate Change Act 2008 (UK net zero emissions target) and section 5 of the Environment Act 2021 (environmental targets)

13. In developing this consultation, we have considered the environmental, social, and governance implications of our proposals and our duty under s.1B(5) and 3B(c) of FSMA 2000 to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008 and environmental targets under section 5 of the Environment Act 2021.

The general principle that consumers should take responsibility for their decisions

14. Disclosure should enable consumers to make better financial decisions and to understand the costs, rewards, and potential risks of their financial product. Better disclosure allows consumers to understand and take responsibility for their decisions.

The responsibilities of senior management

15. We consider that our proposals are likely to enhance the ability of senior management of in-scope products to take responsibility for their decisions by providing clear standards for disclosure and integrating it into their Consumer Duty responsibilities. This should enable them to consider better how to meet the information needs of their customers.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

16. Our proposals are specifically designed to be proportionate and build on existing Consumer Duty obligations. The obligations under the Consumer Duty and in our rules, such as testing of communications, apply proportionately based on the size and resources of the firm.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

- 17.** Our proposals require firms to make disclosures publicly available on their websites and provide them to consumers in their customer journey. We also propose to require firms to file a copy of the product summary of each UCITS scheme and NURS they manage (or disclosure document during the transitional period) with us.

The principle that we should exercise of our functions as transparently as possible

- 18.** In developing these proposals, we have acted as transparently as possible. We published a Discussion Paper (DP 22/6) in December 2022 seeking early views on a new disclosure regime and feedback on PRIIPs. In December 2024, we published a Consultation Paper (CP 24/30), calling for feedback on many of our proposals. We have since engaged extensively with industry and consumer group stakeholders as we developed our proposals. We have attended the FCA statutory panels for early views on our policy development and with more developed proposals.
- 19.** In formulating these proposals, the FCA has had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s 1B(5)(b) FSMA).

Expected effect on mutual societies

- 20.** The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies. Our proposed rules will apply equally to all persons carrying on a designated CCI activity. We have considered in developing these proposals mitigation of any potential differential impact on smaller firms.

Equality and diversity

- 21.** We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, to and foster good relations between people who share a protected characteristic and those who do not.

- 22.** As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. The outcome of our consideration in relation to these matters in this case is stated in paragraph 2.23 of the Consultation Paper.

Legislative and Regulatory Reform Act 2006 (LRRRA)

- 23.** We have had regard to the principles in the LRRRA for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are transparent, accountable, proportionate, and consistent. For example, our interventions create important standardisations for the core metrics while providing for flexibility in the presentation of disclosure to consumers to maintain proportionality.
- 24.** We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles, or guidance. We consider that our proposals are consistent with the principles of the code. For example, we have included examples where appropriate to help firms meet their responsibilities to comply.

Annex 4

Abbreviations used in this paper

Abbreviation	Description
ACS	Authorised Contractual Scheme
CCI	Consumer Composite Investment
COBS	Conduct of Business Sourcebook
COLL	Collective Investment Schemes Sourcebook
CP	Consultation Paper
DAR	Designated Activities Regime
DEPP	Decision Procedure and Penalties
DISC	Product Disclosure Sourcebook
DP	Discussion Paper
EEA	European Economic Area
FCA	Financial Conduct Authority
FLS	Financial Lives Survey
FOS	Financial Ombudsman Service
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act 2000
HMT	His Majesty's Treasury
KID	Key Information Document
KIID	Key Investor Information Document
KII	Key Investor Information
MiFID ORG REG	Markets in Financial Instruments Directive (MiFID) Organisation Regulation

Abbreviation	Description
NURS	Non-UCITS Retail Schemes
OFR	Overseas Funds Regime
PRIIPs	Packaged Retail and Insurance-based Investment Products
PS	Policy Statement
QIS	Qualified Investor Scheme
RDC	Regulatory Decisions Committee
SI	Statutory Instrument
SICGO	Secondary International Competitiveness and Growth Objective
UCITS	Undertaking for Collective Investment in Transferable Security

Appendix 1

Draft Handbook text

CONSUMER COMPOSITE INVESTMENTS INSTRUMENT 2025

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 71N (Designated activities: rules);
 - (b) section 137A (The FCA’s general rules);
 - (c) section 137D (FCA general rules: product intervention);
 - (d) section 137R (Financial promotion rules);
 - (e) section 137T (General supplementary powers);
 - (f) section 139A (Power of the FCA to give guidance);
 - (g) section 210 (Statements of policy);
 - (h) section 247 (Trust scheme rules);
 - (i) section 261I (Contractual scheme rules);
 - (j) section 274 (Applications for recognition of individual schemes);
 - (k) section 283 (Facilities and information in UK); and
 - (l) section 395 (The FCA’s and PRA’s procedures);
 - (2) regulation 6 of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024 (SI 2024/1198).
- B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. The FCA has consulted the Prudential Regulation Authority in accordance with section 138I of the Act.
- D. A draft of this instrument has been approved by the Treasury.

Commencement

- E. This instrument comes into force on [date].

Amendments to the Handbook

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

(1)	(2)
Glossary of definitions	Annex A
General Provisions sourcebook (GEN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Banking: Conduct of Business sourcebook (BCOBS)	Annex D
Product Intervention and Product Governance sourcebook (PROD)	Annex E
Environmental, Social and Governance sourcebook (ESG)	Annex F
Decision Procedure and Penalties manual (DEPP)	Annex G
Collective Investment Schemes sourcebook (COLL)	Annex H
Investment Funds sourcebook (FUND)	Annex I
Prospectus Regulation Rules sourcebook (PRR)	Annex J
Product Disclosure sourcebook (DISC)	Annex K

[*Editor's note:* All of the Annexes to this instrument take into account the proposals and legislative changes suggested in the consultation paper 'A new product information framework for Consumer Composite Investments' (CP24/30) as if they were made final. Annexes A and C to this instrument also take into account the proposals and legislative changes suggested in the consultation paper 'The MiFID Organisational Regulation' (CP24/24) as if they were made final.]

Modifications

G. The FCA revokes the following Level 3 Materials, which appear on the FCA Handbook website under the PRIIPs dossier:

- (1) 'Joint ESA supervisory statement concerning the performance scenarios in the PRIIPs KID' (published 8 February 2019);
- (2) 'PRIIPs - Flow diagram for the risk and reward calculations in the PRIIPs KID' (published 16 August 2017); and
- (3) 'Questions and Answers on the PRIIPs KID' (published 20 November 2017).

Interpretation

H. In this instrument, any reference to direct EU legislation is a reference to it as it forms part of assimilated law.

Notes

I. In the Annexes to this instrument, the notes (indicated by “**Note:**” or “*Editor's note:*”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

J. This instrument may be cited as the Consumer Composite Investments Instrument 2025.

By order of the Board
[*date*]

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. The text is not underlined.

<i>DAR Regulations</i>	the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2025 (SI 2025/22).
<i>one-off costs</i>	the costs and charges set out in <i>DISC</i> 6.3.1R.
<i>relevant designated activity</i>	has the meaning given in section 71T(1) of the <i>Act</i> , being an activity that is a designated activity as a result of a provision specified in Part 1 of Schedule 6C of the <i>DAR Regulations</i> .
<i>relevant Part 5A direction</i>	has the meaning given in section 71U of the <i>Act</i> , being a direction given under section 71O of the <i>Act</i> by virtue of designated activity regulations that are specified in the first column of the Table in Part 3 of Schedule 6C of the <i>DAR Regulations</i> , other than a direction (if any) of a description specified in the corresponding entry in the second column.
<i>relevant Part 5A requirement</i>	has the meaning given in section 71T(2) of the <i>Act</i> being, in relation to a provision of the <i>Act</i> listed in the first column of the Table in Part 2 of Schedule 6C, a requirement that: <ul style="list-style-type: none"> (a) is imposed by virtue of any of the designated activity regulations specified in the corresponding entry in the second column; and (b) is of any of the descriptions specified in the corresponding entry in the third column.
<i>structured UCITS</i>	(in <i>COBS</i> 10A) a <i>UCITS</i> which provides investors, at certain predetermined dates, with algorithm-based payoffs that are linked to the performance, or to the realisation of price changes or other conditions, of financial assets, indices or reference portfolios or <i>UCITS</i> with similar features.

Amend the following definitions as shown.

<i>complaint</i>	...
	(4) ...
	(5) <u>(in <i>DISC</i>) any oral or written expression of dissatisfaction, from, or on behalf of, a <i>retail investor</i> and which relates to the</u>

firm's actions or omissions as manufacturer or distributor of a consumer composite investment.

director

- (1) (except in *COLL*, *DTR*, *UKLR* ~~and~~, *PRR* and *DISC TP 1*) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):
- ...
- (2) (in *COLL* and *DISC TP 1*) a director of an *ICVC*, including (in accordance with regulation 2(1) of the *OEIC Regulations*) a *person* occupying in relation to the *ICVC* the position of director, by whatever name called.
- ...

distribute

- ...
- (7) (in *COBS 6*, *COBS 13*, *COBS 14* and *DISC*)
- ...
- (b) (in *DISC* only) in relation to an *unauthorised person*, means to carry on any of the designated activities specified by regulation 5(1)(b), (c) and (d) of the *Consumer Composite Investments Regulation*.

firm

- ...
- (14) (in *DISC* and *PROD 2*) either:
- ...

Holloway policy special application conditions

conditions that will be met by a *firm* where:

- (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 ~~*PRHPs*~~ *consumer composite investments* 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 ~~PRIPs~~ consumer composite investments);

...

...

manufacture

...

(6) (in COBS 6.1ZA, COBS 13, COLL, DISC and FUND):

...

(b) (in DISC only) in relation to an *unauthorised person*, it means to carry on the designated activity specified by regulation 5(1)(a) of the *Consumer Composite Investments Regulation*.

manufacturer

...

(6) (in COBS 6.1ZA, COBS 13, COLL, DISC and FUND) a person who *manufactures* a consumer composite investment.

~~non-PRIP non-CCI packaged product~~

a packaged product other than a ~~packaged retail and insurance-based investment product (PRIP)~~ consumer composite investment.

retail investor

(in GEN, COBS, COLL, DISC and FUND) a person meeting the criteria in DISC 1A.1.4R.

temporary product intervention rule

(a) a rule made under sections 137D and 138M of the *Act*; or

(b) a rule made under regulation 6 of the Consumer Composite Investments Regulations and section 138M of the Act (as applied by those Regulations).

transaction costs

(1) (for the purposes of COBS 19.5 and COBS 19.8) means costs incurred as a result of the buying, selling, lending or borrowing of *investments*.

(2) (in DISC) the costs and charges ~~incurred as a result of the buying or selling of investments underlying or otherwise in relating to a consumer composite investment~~, calculated in

~~accordance with the requirements set out in DISC 6.4 DISC 6.4.1R.~~

website conditions ...

[Note: article 23(5) of the *IDD* and ~~article 38(2) of the *KII Regulation*~~]

Delete the following definitions. The text is not struck through.

<i>EEA key investor information document</i>	<p>a <i>document</i> that:</p> <ol style="list-style-type: none"> (1) relates to an <i>EEA UCITS scheme</i>; (2) complies with the requirements of Commission Regulation (EU) No 583/2010 as it had effect in the <i>United Kingdom</i> immediately before <i>exit day</i>; and (3) is provided in English.
<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>key investor information</i>	<ol style="list-style-type: none"> (1) (for a <i>UCITS</i>) key information for investors on the essential elements of a <i>UCITS scheme</i> as detailed in the <i>KII Regulation</i>; (2) (for a <i>non-UCITS retail scheme</i>) key information for investors on the essential elements of a <i>KII-compliant NURS</i> as detailed in <i>COLL 4.7.2R</i> (Key investor information).
<i>key investor information document</i>	a short <i>document</i> containing <i>key investor information</i> for investors in a <i>UCITS scheme</i> on the essential elements of the <i>scheme</i> , as detailed in <i>COLL 4.7.2R</i> (Key investor information).
<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>KII Regulation</i>	the <i>UK</i> version of Commission Regulation (EU) No 583/2010, specifying the form and contents of <i>key investor information</i> , the text of which is reproduced in <i>COLL Appendix 1UK</i> , which is part of <i>UK</i> law by virtue of the <i>EUWA</i> .
<i>NURS-KII document</i>	<p>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 4.7.2R</i> (Key investor information).</p> <p>a product that is:</p>

packaged retail and insurance-based investment product (1) a packaged retail and insurance-based investment product within the meaning of article 4(3) of the *PRIIPs Regulation*; and

(2) not exempt from the application of the *PRIIPs Regulation* under articles 2(2) or 32 thereof.

PRIIP a packaged retail and insurance-based investment product.

PRIIPs Regulation the *UK* version of 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), which is part of *UK* law by virtue of the *EUWA*.

PRIIPs technical standards the *UK* version of Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents, which is *UK* law by virtue of the *EUWA*.

synthetic risk and reward indicator (in *COLL*) a synthetic indicator within the meaning of article 8 of the *KII Regulation*.

[Note: article 2(2) of the *UCITS implementing Directive No 2*]

Annex B

Amendments to the General Provisions sourcebook (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-contractual information requirements outside this chapter, including:

...

- (2A) for ~~PRIPs~~ consumer composite investments, a requirement under the ~~PRIPs Regulation~~ DISC to provide ~~retail investors (as defined in that Regulation)~~ retail investors with a ~~key information document~~ product summary;

...

Annex C

Amendments to the Conduct of Business sourcebook (COBS)

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

4 Communicating with clients, including financial promotions

4.1 Application

...

~~What? Modification relating to the KII Regulation~~

COBS 4.1.7AR and COBS 4.1.7BG are **deleted** in their entirety. The deleted text is not shown but should be marked as '[deleted]'.

Amend the following as shown.

...

4.5 Communicating with retail clients (non-MiFID provisions)

...

Funds investing in inherently illiquid assets (FIAs)

4.5.16 R ...

- (2) A *firm* must ensure that the following risk warning is given:
- “[Name of fund] invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the prospectus and ~~key investor information document~~ the product summary.”

...

4.5.16A G When giving the risk warning in COBS 4.5.16R(2), a *firm* should consider providing a hyperlink to the *risk information* contained in the *product summary*.

4.5.17 G ~~The rules in COBS 4.5 do not apply to the form or content of a *NURS KH document* (see COBS 4.1.7AR (Modification relating to the KII Regulation)).~~ [deleted]

4.5A Communicating with clients (including past, simulated past and future performance) (MiFID provisions)

Application

4.5A.1 R ...

(2) ...

(3) COBS 4.5A.10R does not apply to performance information presented in a consumer composite investment's product summary.

...

4.5A.1A R Where a firm provides performance information for a consumer composite investment in additional product information, it may comply with either COBS 4.5A.10R or the requirements in DISC 3.4 (past performance graph).

...

Funds investing in inherently illiquid assets (FIIAs)

4.5A.17 R ...

(2) A firm must ensure that the following risk warning is given:
 “[Name of fund] invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the prospectus and ~~key investor information document~~ the product summary.”

...

4.5A.17 G When giving the risk warning in COBS 4.5A.17R(2), a firm should consider
A providing a hyperlink to the risk information contained in the product summary.

4.5A.18 G ~~The rules in COBS 4.5A do not apply to the form or content of a NURS-KH document (see COBS 4.1.7AR (Modification relating to the KH Regulation)).~~ [deleted]

4.6 Past, simulated past and future performance (non-MiFID provisions)

Application

4.6.1 R (1) Subject to paragraphs (2) and (3) to (4), this section applies to a firm in relation to:

...

...

(3) ...

- (4) COBS 4.6.2R to COBS 4.6.5G (Past performance) do not apply in relation to performance information presented in a consumer composite investment's product summary.

4.6.1A R Where a firm provides performance information for a consumer composite investment in additional product information, it may comply with either COBS 4.6.2R or the requirements in DISC 3.4 (past performance graph).

Past performance

...

4.6.4 G If a *financial promotion* includes information referring to the past performance of a ~~packaged product~~ *non-CCI packaged product* that is not a *financial instrument*, a firm will comply with the rule on appropriate performance information (COBS 4.6.2R(2)) if the *financial promotion* includes, in the case of a *scheme*, unit-linked *life policy*, unit-linked *personal pension scheme* or unit-linked *stakeholder pension scheme* (other than a unitised with-profits *life policy* or *stakeholder pension scheme*) past performance information calculated and presented in accordance with the table in COBS 4.6.4AG.

...

4.6.4B G (1) The firm should present the information referred to in COBS 4.6.4G no less prominently than any other past performance information.

(2) This *guidance* does not apply to a *prospectus*, ~~key investor information document~~ or ~~NURS KH document~~ drawn up in accordance with COLL or a *product summary* drawn up in accordance with applicable requirements in DISC.

4.6.5 G (1) In relation to a ~~packaged product~~ *non-CCI packaged product* (other than a *scheme*, a unit-linked *life policy*, unit-linked *personal pension scheme* or a unit-linked *stakeholder pension scheme* (that is not a unitised with-profits *life policy* or *stakeholder pension scheme*)), the information should be given on:

...

...

...

4.7 Direct offer financial promotions

...

Guidance

...

- 4.7.3 G ...
- (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~~ DISC to provide a ~~key information document~~ product summary.
- 4.7.4 G In order to enable a *client* to make an informed assessment of a *relevant investment* or *relevant business*, a firm may wish to include in a *direct offer financial promotion*:
- ...
- (3) (in relation to a promotion for a ~~non-PRIIP packaged product~~ non-CCI packaged product that is not a *financial instrument*) a *key features illustration*, in which a *generic projection* may generally be used.
- 4.7.5A G COBS 4.13.2R (Marketing communications relating to UCITS schemes) and COBS 4.13.3R (Marketing communications relating to feeder UCITS) contain additional disclosure requirements for *firms* in relation to marketing communications (~~other than key investor information~~) that concern particular investment strategies of a *UCITS scheme*.

...

4.13 UCITS

Application

- 4.13.1 R (1) This section applies to a *firm* in relation to a communication to a *client*, including an *excluded communication*, that is a marketing communication within the meaning of the *UCITS Directive*.
- (2) This section does not apply to:
- (a) *image advertising*; or
 - (b) the *instrument constituting the fund*, the *prospectus*, ~~the key investor information~~ or the periodic reports and accounts of a *UCITS scheme*.

[**Note:** recital (58) of the *UCITS Directive*]

Marketing communications relating to UCITS schemes

- 4.13.2 R (1) A *firm* must ensure that a marketing communication that comprises an invitation to purchase *units* in a *UCITS scheme* and that contains specific information about the *scheme*:
- (a) makes no statement that contradicts or diminishes the significance of the information contained in the *prospectus* and ~~the *key investor information document*~~ a *product summary* for the ~~*scheme*~~ *scheme*;
 - (b) indicates that a *prospectus* exists for the *scheme* and (where *units* in the *scheme* are made available to retail investors) that ~~the *key investor information document*~~ a *product summary* is available; and

...

...

[**Note:** articles 54(3), 70(2), and 70(3) ~~and 77~~ of the *UCITS Directive*]

Marketing communications relating to a feeder UCITS

- 4.13.3 R A *firm* must ensure that a marketing communication (~~other than a *key investor information document*~~) relating to a *feeder UCITS* contains a statement that the *feeder UCITS* permanently invests at least 85% in value of its assets in *units* of its *master UCITS*.

[**Note:** article 63(4) of the *UCITS Directive*]

...

6 Information about the firm, its services and remuneration

...

6.1ZA Information about the firm and compensation information (MiFID and insurance distribution provisions)

...

~~Costs and associated charges disclosure: MiFID~~

- 6.1ZA.1 R ~~50(1) For the purposes of providing information to clients on all costs and~~
4 ~~charges pursuant to [COBS 6.1ZA.11R] (“the relevant rule”), investment firms shall comply with the detailed requirements in paragraphs 2 to 10. [deleted]~~

~~50(1A)~~

- (1) ~~Subject to subparagraph (2), the requirements laid down in the relevant rule do not apply to services provided to professional clients.~~

- (2) The requirements laid down in the relevant rule do apply to services provided to professional clients for investment advice and portfolio management.

~~50(2) For ex ante and ex post disclosure of information on costs and charges to clients, investment firms shall aggregate the following:~~

- (a) ~~all costs and associated charges charged by the investment firm or other parties where the client has been directed to such other parties, for the investment services(s) and/or ancillary services provided to the client; and~~
- (b) ~~all costs and associated charges associated with the manufacturing and managing of the financial instruments.~~

~~Costs referred to in points (a) and (b) are listed in Annex II to this Regulation. For the purposes of point (a), third party payments received by investment firms in connection with the investment service provided to a client shall be itemised separately and the aggregated costs and charges shall be totalled and expressed both as a cash amount and as a percentage.~~

~~50(3) Where any part of the total costs and charges is to be paid in or represents an amount of foreign currency, investment firms shall provide an indication of the currency involved and the applicable currency conversion rates and costs. Investment firms shall also inform about the arrangements for payment or other performance.~~

~~50(4) In relation to the disclosure of product costs and charges that are not included in the UCITS KIID, the investment firms shall calculate and disclose these costs, for example, by liaising with UCITS management companies to obtain the relevant information.~~

~~50(5) The obligation to provide in good time a full ex ante disclosure of information about the aggregated costs and charges related to the financial instrument and to the investment or ancillary service provided shall apply to investment firms in the following situations:~~

- (a) ~~where the investment firm recommends or markets financial instruments to clients; or~~
- (b) ~~where the investment firm providing any investment services is required to provide clients with a UCITS KIID or PRIIPs KID in relation to the relevant financial instruments.~~

~~50(6) Investment firms that do not recommend or market a financial instrument to the client or are not obliged to provide the client with a KID/KIID shall inform their clients about all costs and charges relating to the investment and/or ancillary service provided.~~

~~50(7) Where more than one investment firm provides investment or ancillary services to the client, each investment firm shall provide information about~~

the costs of the investment or ancillary services it provides. An investment firm that recommends or markets to its clients the services provided by another firm, shall aggregate the cost and charges of its services together with the cost and charges of the services provided by the other firm. An investment firm shall take into account the costs and charges associated to the provision of other investment or ancillary services by other firms where it has directed the client to these other firms.

50(8) Where calculating costs and charges on an ex-ante basis, investment firms shall use actually incurred costs as a proxy for the expected costs and charges. Where actual costs are not available, the investment firm shall make reasonable estimations of these costs. Investment firms shall review ex-ante assumptions based on the ex-post experience and shall make adjustment to these assumptions, where necessary.

50(9) Investment firms shall provide annual ex-post information about all costs and charges related to both the financial instrument(s) and investment and ancillary service(s) where they have recommended or marketed the financial instrument(s) or where they have provided the client with the KID/KIID in relation to the financial instrument(s) and they have or have had an ongoing relationship with the client during the year. Such information shall be based on costs incurred and shall be provided on a personalised basis.

Investment firms may choose to provide such aggregated information on costs and charges of the investment services and the financial instruments together with any existing periodic reporting to clients.

50(10) Investment firms shall provide their clients with an illustration showing the cumulative effect of costs on return when providing investment services. Such an illustration shall be provided both on an ex-ante and ex-post basis. Investment firms shall ensure that the illustration meets the following requirements:

- (a) the illustration shows the effect of the overall costs and charges on the return of the investment;
- (b) the illustration shows any anticipated spikes or fluctuations in the costs; and
- (c) the illustration is accompanied by a description of the illustration.

[**Note:** article 50 of the *MiFID Org Regulation*]

6.1ZA.1 G 'Annex II' referred to in COBS 6.1ZA.14R is reproduced in COBS 6 Annex 4A 7R: [deleted]

6.1ZA.1 R (1) (a) A firm must disclose to the client, in good time before the relevant service is provided, a reasonable estimate of all costs and charges of the service and of any investment in a financial 4B

instrument which the *firm* has offered or sold to the *client*, or which the *firm* has arranged for the *client* to enter into.

[Note: COBS 6.1ZA.14BR(1)(a) corresponds to what were known as ‘ex-ante’ requirements under article 50 of the UK version of the Commission Delegated Regulation (EU) 2017/565 (MiFID Org Regulation)]

- (b) (i) Where the condition in (ii) is met, the *firm* must disclose on a personalised and annual basis the actually incurred costs and charges of the service provided as well as the costs and charges of the *financial instrument*.
- (ii) The condition is that the *firm* provides the *client* with a relevant service on an ongoing basis in respect of a *financial instrument* which the *firm* has sold to the *client* or arranged for the *client* to buy.
- (iii) A *firm* may opt to provide the disclosure in (i) together with any existing periodic reporting to the *client*.

[Note: COBS 6.1ZA.14BR(1)(b) corresponds to what were known as ‘ex-post’ requirements under article 50 of UK version of the Commission Delegated Regulation (EU) 2017/565 (MiFID Org Regulation)]

- (c) (i) When complying with (a) and (b), the *firm* must also provide the *client* with an illustration showing the cumulative effect of overall costs and charges on the return of the *client*’s investment in the *financial instrument*.
- (ii) The illustration must be accompanied by a description and show any anticipated changes in costs and charges, as applicable.
- (d) The requirements in this rule do not apply where the *client* is an *eligible counterparty*.

(2) A relevant service is:

- (a) in respect of a *retail client*, any service involving the carrying on of a *regulated activity* or *ancillary activity*; and
- (b) in respect of a *professional client*, a service which includes or amounts to *investment advice* or *managing investments*.

(3) (a) In complying with the obligations in (1), a *firm* must aggregate the costs and charges specified in COBS 6 Annex 7R, as applicable, in relation to:

- (i) the relevant services provided to the *client*, including costs and charges imposed by the *firm*; and
- (ii) the *manufacture* and *distribution* of the *financial instrument*.
- (b) Where the *financial instrument* is a *consumer composite investment*, the costs and charges of *manufacture* to be disclosed under (3)(a)(ii) are those required to be disclosed in the *product summary* by applicable rules in *DISC*.
- (c) A *firm* must also itemise and separately disclose to the *client* any third-party payments it receives in connection with the service provided to the *client*.
- (d) The total sum of aggregated costs must be expressed as a cash amount and as a percentage.
- (4) (a) Where more than one *firm* will provide, or has provided, a relevant service to the *client*, each *firm* must disclose the costs and charges relating to its services.
- (b) Where a *firm* recommends to the *client* the relevant service of another *firm*, or otherwise arranges for or directs the *client* to receive the relevant service of another *firm*, it must aggregate the cost and charges of its services together with the costs and charges of the services the other *firm* will provide or has provided.

6.1ZA.1 R A *firm*'s obligations under COBS 6.1ZA.11R to provide information in relation to the costs and charges of *investment services* and *ancillary services*, the cost of any *investment advice*, and the cost of the *financial instrument* recommended or marketed to the *client* are detailed and exhausted by the requirements of COBS 6.1ZA.14BR.

...

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~~ *key investor information document*, ~~an EEA key investor~~

information document or a NURS-KII document, in accordance with COBS 14 or a product summary prepared in accordance with DISC, 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 Identified costs that should form part of the costs to be disclosed to clients

Annex

7

R This Annex belongs to ~~COBS 6.1ZA.14R~~ COBS 6.1ZA.14BR.¹

...

Table 2 – All costs and associated charges related to the financial instrument (other than a *consumer composite investment*⁴) that should form part of the amount to be disclosed.

Cost items to be disclosed		Examples
One-off charges	All costs and charges (included in the price or in addition to the price of the <i>financial instrument</i>) paid to product providers at the beginning or at the end of the investment in the <i>financial instrument</i> .	Front-loaded management fee, structuring fee ⁴ , distribution fee.
Ongoing charges	All ongoing costs and charges related to the management of the <i>financial instrument</i> that are deducted from the value of the <i>financial instrument</i> during the period of the investment in the <i>financial instrument</i> .	Management fees, service costs, swap fees, securities lending costs and taxes, financing costs.
All costs related to transactions	All costs and charges that are incurred as a result of the acquisition and	Broker commissions, entry- and exit-charges paid by the fund, mark ups embedded in the

	disposal of <i>financial instruments</i> .	transaction price, stamp duty, transactions tax and foreign exchange costs.
Incidental costs		Performance fees.

¹ It should be noted that certain cost items appear in both tables but are not duplicative since they respectively refer to costs of the product and costs of the service. Examples are the management fees (in Table 1, this refers to management fees charged by a *firm* providing the service of *portfolio management* to its *clients*, while in Table 2 this refers to management fees charged by an investment fund manager to its investor) and broker commissions (in Table 1, this refers to commissions incurred by the *firm* when trading on behalf of its *clients*, while in Table 2 this refers to commissions paid by investment funds when trading on behalf of the fund).

² Switching costs should be understood as costs (if any) that are incurred by *clients* by switching from one *firm* to another.

³ Broker commissions should be understood as costs that are charged by *firms* for the execution of orders.

⁴ ~~Structuring fees should be understood as fees charged by manufacturers of structured investment products for structuring the products. They may cover a broader range of services provided by the manufacturer.~~

⁴ The costs and charges to be disclosed to a *retail customer* in relation to a *consumer composite investment* are those required by *DISC* to be disclosed in the *product summary*. See *COBS 6.1ZA.14BR(3)(b)*.

...

10A Appropriateness (for non-advised services) (MiFID and insurance-based investment products provisions)

...

10A.4 Assessing appropriateness: when it need not be done due to type of investment

10A.4.1 R ...

(2) The *financial instruments* referred to in (1)(a)(ii) are any of the following:

...

(d) shares or *units* in a *UCITS*, excluding ~~structured *UCITS* structured *UCITS* as referred to in the second subparagraph of article 36(1) of the *KII Regulation*; or~~

...

...

...

13 Preparing product information

13.1 The obligation to prepare product information

~~Non-PRHP~~ Non-CCI packaged products, cash deposit ISAs and cash-deposit CTFs

13.1.1 R A *firm* must prepare:

- (1) a *key features document* for each ~~non-PRHP packaged product~~ non-CCI packaged product, cash-deposit ISA, cash-only lifetime ISA and cash-deposit CTF it produces; and
- (2) a *key features illustration* for each ~~non-PRHP packaged product~~ non-CCI packaged product it produces;

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

~~PRHPs~~ Consumer composite investments

13.1.1A G (1) ~~The PRHPs Regulation DISC~~ requires the ~~manufacturer~~ manufacturer of a PRHP consumer composite investment to ~~draw up~~ prepare a ~~key information document~~ product summary and core information disclosures in accordance with ~~the PRHPs Regulation DISC~~ in good time before that PRHP consumer composite investment is made available to retail investors (as defined in ~~the PRHPs Regulation~~) in the United Kingdom for distribution to retail investors.

[~~Note: article 5 of the PRHPs Regulation~~]

- (2) Since ~~the PRHPs Regulation DISC~~ imposes requirements in relation to the preparation of product information for PRHPs consumer composite investments, the rules in COBS 13.1 to COBS 13.4 do not apply to a *firm* in relation to the ~~manufacture~~ manufacture of a PRHP consumer composite investment (except where applicable to *Solvency II Directive information*). COBS 13.5 and COBS 13.6 continue to apply where relevant.

Application of the PRHPs regulation to funds

13.1.1B G (1) ~~A UCITS management company is exempt from the PRHPs Regulation until 31 December 2026. These firms should continue to publish a key investor information document until that date (see COLL 4.7).~~ [deleted]

- (2) (a) A manager of a *fund* offered to retail investors in the *United Kingdom*, other than a *UCITS*, is able to benefit from this exemption where a the *United Kingdom* applies rules on the format and content of the *key investor information document* which implemented articles 78 to 81 of the *UCITS Directive* to that *fund* (see article 32(2) of the *PRIPs 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 offered to retail clients in the *United Kingdom* may, until 31 December 2026, draw up either:
- (i) a *key information document* in accordance with the *PRIPs Regulation*; or
 - (ii) a *NURS KII document*.

[**Note:** Article 32(1) of the *PRIPs Regulation* as amended by article 17(1) of Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019]

Information on life policies

...

- 13.1.2A G A firm that effects life policies which are also *PRIPs consumer composite investments* should consider whether it is also required to draw up a *key information document* provide a *product summary* in respect of those life policies in accordance with the requirements of the *PRIPs Regulation* in *DISC*.

...

13.2 Product information: production standards, form and contents

...

- 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 DISC*) a *key information document product summary* or any other document.

...

13.3 Contents of a key features document

...

Additional requirements for ~~non-PRHP~~ non-CCI packaged products

13.3.2 R Table

A key features document for a non-PRHP packaged product <u>non-CCI packaged product</u> must:	
...	

13.4 Contents of a key features illustration

13.4.1 R A key features illustration:

...

- (3) if it is prepared for a ~~non-PRHP packaged product~~ non-CCI packaged product which is not a financial instrument:

...

...

13.5 Preparing product information: other projections

...

Projections: other situations

13.5.2 R ...

- (2) This rule applies to a packaged product which is:

- (a) not a financial instrument or an in-force packaged product;
and

- (b) either:

- (i) a ~~non-PRHP packaged product~~ non-CCI packaged product for which a key features illustration is not required to be provided; or

- (ii) a ~~PRHP~~ consumer composite investment where the projection is not in the ~~key information document~~ a product summary.

...

13.6 Preparing product information: adviser and consultancy charges

...

- 13.6.2 G Where a *firm* agrees to facilitate the payment of an *adviser charge* or *consultancy charge* for a new ~~*non-PRHP packaged product*~~ *non-CCI packaged product*, it will satisfy the *rule* in COBS 13.6.1R by including the *appropriate charges information* in the *key features illustration*.

...

13 Charges information for a ~~*non-PRHP*~~ *non-CCI* 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 ~~*non-PRHP packaged product*~~ *non-CCI packaged product* must be in the following form:

...

...

14 Providing product information to clients

14.1 Interpretation

14.1.1 R In this chapter:

...

- (2) (except in relation to the requirements for consumer composite investments under ~~the PRHPs Regulation~~ DISC) ‘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, cash-only lifetime ISA* and *cash-deposit CTF*.

14.2 Providing product information to clients

Providing information about ~~PRHPs~~ consumer composite investments

- 14.2.-1 G (1) ~~The PRHPs Regulation~~ DISC requires a ~~person who advises on, or sells, firm~~ which *distributes a PRHP consumer composite investment* to provide a ~~retail investor~~ retail investor (as defined in ~~the PRHPs Regulation~~) in the *United Kingdom* with the *key*

~~information document~~ a product summary for that *PRHP consumer composite investment*.

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

- (2) Since ~~the *PRHPs Regulation*~~ *DISC* imposes requirements in relation to the provision of information about *PRHPs consumer composite investments*, this chapter does not apply to a *firm* when it is ~~advising on, or selling, distributing~~ a *PRHP consumer composite investment* (except where applicable to *Solvency II Directive* information).
- (3) A *firm* that sells a *life policy* that is also a *PRHP consumer composite investment* must provide the information required by *COBS* 14.2.1R(2). Some or all of this information may be included in a ~~key information document~~ product summary if this is required to be provided by, and such inclusion is permitted under, ~~the *PRHPs Regulation*~~ *DISC*.

The provision rules for products other than *PRHPs consumer composite investments*

- 14.2.1 R A *firm* that sells, or (where relevant) gives effect to:
- (1) a ~~non-PRHP packaged product~~ non-CCI 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 *regulated collective investment scheme*);
 - ...
 - (5A) a *unit* in a *KII-compliant NURS* must provide the following to a *retail client*: [deleted]
 - (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 *United Kingdom*, 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* (other than a *scheme* in (7A)), to a *client*, must: [deleted]

- (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 United Kingdom, the information required by (5A)(b).~~

...

~~[Note: in respect of (7), articles 1 and 80 of the UCITS Directive]~~

...

14.2.1-B R For the purpose of COBS 14.2.1R(7A), in relation to a unit in a scheme which is an OFR recognised scheme, the specified documents and information are as follows:

- (1) ~~Where the scheme is an EEA UCITS scheme, the firm must provide a copy of the scheme's EEA key investor information document to that client [deleted]~~
- (2) Where the client is a retail client, the firm must provide separately (unless already provided):

...

14.2.1-BA G In COBS 14.2.1-BR(2), the specified documents and information already provided may include the product summary and any additional product information.

...

~~Provision of key investor information document or NURS-KII document~~

COBS 14.2.1AR is **deleted** in its entirety. The deleted text is not shown but should be marked as '[deleted]'.

Amend the following as shown.

...

Provision of information: other requirements

...

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~~ non-

CCI packaged product, the information required by COBS 14.2.1CR should be included in the *key features illustration*.

...

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

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

...

~~[Note: in respect of (3), article 185(8) of the Solvency II Directive]~~

...

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

...

COBS 14.2.9AR and COBS 14.2.10G are **deleted** in their entirety. The deleted text is not shown but should be marked as '[deleted]'.

Amend the following as shown.

...

The timing rules

14.2.14 R When the *rules* in this section require a *firm* to:

...

(2) provide a *key features document* 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, 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. [deleted]~~

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

...

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

14.2.16 R ...

- (2) ~~The exception in (1) does not apply in relation to the provision of an EEA key investor information document, a key investor information document or a NURS-KII document required to be provided under COBS 14.2.1R and COBS 14.2.1AR. [deleted]~~

14.2.17 R ...

- (2) ~~The exception in (1) does not apply in relation to the provision of an EEA key investor information document, a key investor information document or a NURS-KII document required to be provided under COBS 14.2.1R and COBS 14.2.1AR. [deleted]~~

...

14.3 Information about designated investments (non-MiFID provisions)

...

Satisfying the provision rules

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

...

Information about UCITS schemes and non-UCITS retail schemes

- 14.3.11 R If a firm provides a client with a ~~key investor information document or EEA key investor information document~~ product summary that meets all of the requirements applying in relation to that ~~document~~ document in DISC, it will have provided appropriate information for the purpose of the requirement to disclose information on:

- (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 *UCITS scheme or non-UCITS retail scheme* itself, including the exit and entry commissions.

~~Information about KII-compliant NURS~~

COBS 14.3.11AR is **deleted** in its entirety. The deleted text is not shown but should be marked as '[deleted]'.

Amend the following as shown.

Distributor disclosure requirements for UCITS or ~~KII-compliant NURS~~ non-UCITS retail schemes

- 14.3.12 G ~~A key investor information document and EEA key investor information document or a NURS-KII document provide~~ product summary provides sufficient information in relation to the costs and associated charges in respect of the ~~UCITS or KII-compliant NURS~~ non-UCITS retail scheme itself. However, a ~~firm distributing~~ distributing units in a ~~UCITS or KII-compliant NURS~~ non-UCITS retail scheme 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~~ non-UCITS retail scheme (see COBS 6.1ZA.14BR and DISC 3.3.1R(1)(b)).

14.3A Information about financial instruments (MiFID provisions)

...

~~Information provided in relation to units in collective investment undertakings or PRIIPs~~

- 14.3A.11 R ~~51 Investment firms distributing units in collective investment undertakings or PRIIPs shall additionally inform their clients about any other costs and associated charges related to the product which may have not been included in the UCITS KID or PRIIPs KID and about the costs and charges relating to their provision of investment services in relation to that financial instrument.~~

~~[Note: article 51 of the MiFID Org Regulation]~~ [deleted]

...

15 Cancellation

...

15.2 The right to cancel

...

Start of cancellation period

- 15.2.3 R The cancellation period begins:

...

- (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~~ DISC, 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*~~ *product summary* from the *firm* or another *authorised person* (such as under the distance marketing disclosure rules (*COBS* 5.1.1R to 5.1.4R), *COBS* 14 (Providing product information) or ~~the *PRIPs Regulation*~~ *DISC*).

...

18 Specialist Regimes

...

18.5 Residual CIS operators and small authorised UK AIFMs

...

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*~~ *product summary*, only information that is additional to that contained in ~~the *key information document*~~ a *product summary* needs to 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*~~ *product summary* under ~~the *PRIPs Regulation*~~ *DISC*.

...

18.5A Full-scope UK AIFMs and incoming EEA AIFM branches

...

Adequate information

...

- 18.5A.12 G Where a *full-scope UK AIFM* is required to publish a ~~*key information document*~~ *product summary*, only information that is additional to that contained in the ~~*key information document*~~ *a product summary* needs to be disclosed under COBS 18.5A.11R.

...

TP 2 Other Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provisions: coming into force
...					
2.27	The <i>rules and guidance</i> in COBS that relate to a <i>NURS KII document</i> <u><i>NURS KII document</i></u>	R	Where the <i>authorised fund manager</i> of a <i>non-UCITS retail scheme</i>, or an <i>ICVC</i> that is a <i>non-UCITS retail scheme</i>, complies with the <i>rules and guidance</i> in <i>COLL</i> that relate to a <i>NURS KII document</i>, in accordance with <i>COLL</i> TP 1.1.46R, by using a <i>key investor information document</i> (as modified by a general direction from the <i>FCA</i>), the <i>rules and guidance</i> in column (2) apply in relation to that <i>document</i> as if a reference to a “<i>NURS KII document</i>” were a reference to that <i>document</i>. [expired]	From 1 January 2018 until 19 February 2018	1 January 2018
2.28	COBS TP 2.27R	G	The effect of COBS TP 2.27R is that where a modified form of a <i>key investor information document</i> has been produced for a <i>non-UCITS retail scheme</i> prior to 1 January 2018, firms	From 1 January 2018 until 19 February 2018	1 January 2018

			may continue to use that <i>document</i> for a short period until the <i>AFM</i> of the <i>KII-compliant NURS</i> has had time to produce a replacement <i>NURS KII</i> document that complies with <i>COLL</i> Appendix 2R. <u>[expired]</u>		
...					

Annex D

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

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

1 Application

...

1 Annex Structured deposit business

1

Application of BCOBS to firms selling structured deposits

...		
Structured deposits as PRHPs <u>consumer composite investments</u>		
1.5	G	<i>Firms are reminded that structured deposits are PRHPs <u>consumer composite investments</u> and that the provisions of the PRIHPs Regulation are also relevant disclosure requirements in <i>DISC</i> apply to such products. The PRIHPs Regulation <i>DISC</i> requires a person who advises on, or sells, <u>distributes</u> (within the meaning of that term in <i>DISC</i>) a PRHP consumer composite investment to provide a retail investor (as defined in the PRIHPs Regulation) <u>retail investor</u> (within the meaning of that term in <i>DISC</i>) with the key information document <u>a product summary</u> for that PRHP <u>consumer composite investment</u>.</i>
1.6	G	<i>Where a firm is required to provide information in a key information document <u>accordance with the disclosure requirements in DISC</u>, it will not be required to provide the same information under BCOBS 4.1.</i>
[Note: BCOBS 1.1.4R(3) and article 13 of the PRIHPs Regulation]		

Annex E

Amendments to the Product Intervention and Product Governance sourcebook (PROD)

In this Annex, underlining indicates new text, unless specified otherwise.

- 2 Statement of policy with respect to the making of temporary product intervention rules**
- 2.1 Purpose**
- ...
- 2.1.3 G ...
- 2.1.4 G (1) The *Consumer Composite Investments Regulations* apply (with modifications) sections 138M to 138O of the *Act* to rules made under regulation 6 of those Regulations and require the *FCA* to adopt a statement of policy with respect to temporary intervention rules.
- (2) *PROD* 2.15 explains how the *FCA*'s policy in this chapter is adopted with respect to making such temporary rules for unauthorised persons.
- ...
- 2.4 Temporary product intervention rules**
- ...
- 2.4.2 G ...
- 2.4.2A G The application (with modifications) of section 138M of the *Act* by the *Consumer Composite Investments Regulations* provides a specific exemption to the consultation requirement in relation to temporary product intervention rules made under those Regulations. The *FCA* may make temporary product intervention rules for unauthorised persons without consultation if it considers that it is necessary or expedient not to comply with such a requirement to advance the consumer protection objective.
- 2.4.3 G The *FCA*'s discretion to act under section 138M (including that section as applied by the *Consumer Composite Investments Regulations*) is therefore wider than under section 138L.

Insert the following new section, PROD 2.15, after PROD 2.14 (Revocation or replacement of rules). The text is all new and is not underlined.

- 2.15 Temporary intervention rules for DAR persons – consumer composite investments**

- 2.15.1 G In deciding whether a *rule for unauthorised persons* made under regulation 6 of the *Consumer Composite Investments Regulations* should be made as a *temporary product intervention rule*, the *FCA*'s main consideration will generally be whether prompt action is deemed necessary in seeking to reduce or prevent *consumer detriment* arising from the relevant *consumer composite investment*, or *consumer composite investments* of a similar type or with similar features to the relevant *consumer composite investment*, and any practices relating to them.
- 2.15.2 G Together with the consideration in *PROD 2.15.1G*, the *FCA* will also take into account the considerations in *PROD 2.6* to *2.9* (except *PROD 2.8.2G*) when making *temporary product intervention rules for unauthorised persons* under the *Consumer Composite Investments Regulations*.
- 2.15.3 G The *FCA* will follow the processes and steps outlined in *PROD 2.10* to *2.14* when making *temporary product intervention rules for unauthorised persons* under the *Consumer Composite Investments Regulations*.

Annex F

Amendments to the Environmental, Social and Governance sourcebook (ESG)

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

5 Disclosure of sustainability-related information

...

5.2 Consumer-facing disclosures

...

- 5.2.5 G Where applicable, a *manager* may, for the purposes of *ESG* 5.2.2R(9)(d), choose to refer to documents such as ~~the *key information document*, the *key investor information document* or the *NURS-KII document*~~ a *product summary* in relation to the particular *sustainability product*.

...

Annex G

Amendments to the Decision Procedure and Penalties manual (DEPP)

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

2 Statutory notices and the allocation of decision making

...

2.5 Provision for certain categories of decision

...

FCA's own-initiative powers

...

2.5.7B ...

2.5.7C G FCA staff under executive procedures will take the decision to give a supervisory notice exercising the own-initiative power to give a relevant Part 5A direction including where the action involves a variation or withdrawal of that direction.

...

2 Annex 1 Warning notices and decision notices under the Act and certain other enactments

Note: Third party rights and access to *FCA* material apply to the powers listed in this Annex where indicated by an asterisk * (see *DEPP* 2.4)

Section of the Act	Description	Handbook reference	Decision maker
...			
207(1)/208(1)	when the <i>FCA</i> is proposing or deciding to publish a statement (under section 205(1)) or impose a financial penalty (under section 206(1)) or suspend a <i>permission</i> or impose a restriction in relation to the carrying on of a <i>regulated activity</i> (under section 206A). This applies in		RDC

	respect of an <i>authorised person</i> , or an <i>unauthorised person</i> to whom section 404C applies.*		
<u>207(1A)/208(1A)</u>	when the <i>FCA</i> is proposing or deciding to publish a statement (under section 205(2)) or impose a financial penalty (under section 206(1A)) or prohibit or restrict the carrying on of a <i>relevant designated activity</i> (under section 206B).		<u>RDC</u>
...			

...

Packaged Retail and Insurance-based Investments Products Regulations 2017 <u>Applicable for decisions made under the Packaged Retail and Insurance-based Investments Products Regulations 2017 (SI 2017/1127) relating to things done or omitted before the main commencement date of the <i>Composite Consumer Investments Regulations</i></u>	Description	Handbook reference	Decision maker
Regulations 10(1) and 10(4)	when the <i>FCA</i> is proposing or deciding to take action against a <i>person</i> under regulation 6*		<i>RDC</i>
Paragraph 5(7) of Schedule 1	when the <i>FCA</i> is proposing or deciding to exercise the power		<i>RDC</i>

	under section 384(5) of the <i>Act</i> to require a <i>person</i> to pay restitution*		
--	---	--	--

<u>Consumer Composite Investments (Designated Activities) Regulations 2024</u>	<u>Description</u>	<u>Handbook reference</u>	<u>Decision maker</u>
<u>Paragraph 3 of Schedule 1</u>	<u>when the <i>FCA</i> is proposing or deciding to exercise the power under section 384 of the <i>Act</i> to require a <i>person</i> to pay restitution*</u>		<u>RDC</u>

...

2 Annex 2 Supervisory notices

Section of the Act	Description	Handbook reference	Decision maker
...			
55Y(4) 55Y(7) 55Y(8)(b)
<u>71V</u>	<u>when the <i>FCA</i> proposes to give a relevant Part 5A direction, or gives such a direction with immediate effect, or exercises its own initiative to vary or revoke such a direction</u>		<u>Executive procedures</u>
<u>71X</u>	<u>When the <i>FCA</i> is deciding an application under section 71W to vary or revoke a relevant Part 5A direction</u>		<u>Executive procedures</u>
...			

...

Packaged Retail and Insurance-based Investments Products Regulations 2017 <u>Applicable for decisions made under the Packaged Retail and Insurance-based Investments Products Regulations 2017 (SI 2017/1127) relating to things done or omitted before the main commencement date of the <i>Composite Consumer Investments Regulations</i></u>	Description	Handbook reference	Decision maker
Regulations 9(3)(a) and (c)	when the <i>FCA</i> is proposing to make an order under regulation 4 or makes an order under regulation 4 with immediate effect		<i>RDC</i>
Regulations 9(3)(b) and (d)	when the <i>FCA</i> is proposing to increase the period of a suspension under regulation 5(2) or increases the period of a suspension under regulation 5(2) with immediate effect		<i>RDC</i>
Regulation 9(6)(a)	when the <i>FCA</i> is deciding to make or vary an order made under regulations 4 or 5(2) in the way proposed		<i>RDC</i>
Regulation 9(6)(b)	when the <i>FCA</i> is deciding not to		<i>RDC</i>

	revoke an order made under regulations 4 and 5(2) or not to rescind the variation of an order made under regulations 4 and 5(2)		
Regulation 9(7)(b)	when the <i>FCA</i> is deciding to make an order under regulations 4 or 5(2) in different terms or to vary an order made under regulations 4 or 5(2) in a different way		<i>RDC</i>

...

...

6A The power to impose a suspension, restriction, condition, limitation or disciplinary prohibition

6A.1 Introduction

6A.1.1 G *DEPP* 6A sets out the *FCA*'s statement of policy with respect to:

- (1) the imposition of suspensions, disciplinary prohibitions or restrictions under sections 88A, 143W ~~and~~, 206A and 206B of the *Act*, and the period for which those suspensions or restrictions are to have effect, as required by sections 88C(1), 89S(1) and 210(1) of the *Act*;

...

6A.1.2 G ...

- (2) “restriction” refers to limitations or other restrictions in relation to:

...

- (d) the dissemination of *regulated information* by a *primary information provider* (under section 89Q(2)(c) of the *Act*); ~~and~~

(e) the exercising of functions by a *person* of an *FCA investment firm* or a *parent undertaking* of an *FCA investment firm* (under section 143W(5) of the *Act*); ~~and~~

(f) the carrying on of a *relevant designated activity* by a *person* (under section 206B(1)(b) of the *Act*).

...

(5) “disciplinary prohibition” refers to:

...

(c) a temporary prohibition on an individual directly or indirectly making a bid at an auction conducted by a *recognised auction platform*, on their own account or the account of a third party (under section 123A(2)(c) of the *Act*); ~~or~~

(d) a temporary prohibition of an individual that has contravened, or has been knowingly concerned in the contravention of, a relevant requirement (as defined by regulation 35 of the *Securitisation Regulations 2024*); ~~and~~ or

(e) the prohibition of a *person* in relation to the carrying on of a *relevant designated activity* (under section 206B(1)(a) of the *Act*); and

...

...

Insert the following new section, DEPP 6A.3B, after DEPP 6A.3A (Determining the appropriate length of the period of limitation for approvals under section 59 of the Act). All of the text is new and is not underlined.

6A.3B Determining applications for variation or withdrawal of prohibitions under section 206B

6A.3B.1 G Section 206B(4) provides that a *person* upon whom a prohibition or restriction has been imposed may make an application for the prohibition or restriction to be withdrawn or varied. When considering these applications, the *FCA* will consider all the relevant circumstances of a case before arriving at a proportionate decision, including the interests of the *person* affected, the ongoing need to deter others from similar misconduct and the ongoing need to guard against the risk of repeat misconduct from the *person* concerned. The relevant circumstances may include, but are not limited to:

- (1) the seriousness of the misconduct that resulted in the prohibition or restriction;
- (2) the amount of time since the original prohibition or restriction was put in place;
- (3) any steps taken subsequently by the *person* to remedy the misconduct;
- (4) any evidence which, had it been known to the *FCA* at the time, would have been relevant to the *FCA* 's decision to impose the prohibition or restriction; and
- (5) whether the *person* continues to pose the level of risk to *consumers* or confidence in the *financial system* which resulted in the original prohibition if it is lifted.

6A.3B.2 G The *FCA* will take into account any indication given by the *FCA* in the *final notice* that it is minded to withdraw or vary the prohibition or restriction on application after a certain number of years.

6A.3B.3 G The *FCA* will not generally grant an application to withdraw or vary a prohibition or restriction under section 206B of the *Act* unless it is satisfied that the proposed variation will not result in a reoccurrence of the risk to *consumers* or confidence in the *financial system* that resulted in the imposition of the prohibition or restriction.

Annex H

Amendments to the 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*~~ *non-UCITS retail scheme* that does not have a significant exposure to immovables, the ~~figure for the synthetic risk and reward indicator~~ risk score referred to in *DISC 5.4.2R(2)* and disclosed in its most recent ~~key investor information document or NURS KII document~~ *product summary* and any changes to that figure that have taken place during the period;

...

...

4.7 Key investor information and marketing communications

- 4.7.-1 G (1) The *rules and guidance* previously found in this chapter which applied in relation to *UK UCITS* and *non-UCITS retail schemes* for which a 'NURS-KII document' had been drawn up have been replaced by analogous requirements imposed in relation to *consumer composite investments* in *DISC*.
- (2) The *rules and guidance* in *DISC* apply to an *ICVC*, an *authorised fund manager* of an *AUT* or *ICVC* and any other *director* of an *ICVC* where in each case the *AUT* or *ICVC* is a *consumer composite investment* made available to a *retail investor* (see *DISC 1A.2.1R*).

COLL 4.7.1R to COLL 4.7.10G (inclusive), and all subheadings inserted before any of these provisions, are **deleted** in their entirety. The deleted text is not shown but the provisions should be marked as 'deleted'.

Amend the following as shown.

...

4.8 Notifications for UCITS master-feeder arrangements

...

Information to be provided to Unitholders

- 4.8.3 R (1) An *authorised fund manager* of a *UCITS scheme* that has been approved by the *FCA* to operate as a *feeder UCITS*, including as a *feeder UCITS* of a different *master UCITS*, must provide the following information to its *unitholders* at least 30 calendar days before the date when the *feeder UCITS* is to start to invest in *units* of the *master UCITS* or, if it has already invested in them, the date when its investment will exceed the limit applicable under *COLL 5.2.11R(9)* (Spread: general):

...

- (b) ~~the key investor information of~~ a product summary for the *feeder UCITS* and the *master UCITS*;

...

...

...

6 Operating duties and responsibilities

...

6.7 Payments

...

Charges on buying and selling units: guidance

- 6.7.8 G ...

- (4) (a) ~~For a *UCITS scheme*, article 10(2)(a) of the *KII Regulation* requires the *key investor information document* to disclose the maximum percentage that might be deducted as an entry charge from the investor's capital commitment. [deleted]~~
- (b) ~~Where a *preliminary charge* is charged as a fixed amount or is calculated as a percentage of the *price* of a *unit*, the *AFM* should ensure that the actual amount charged, if it were expressed as a percentage of the amount being subscribed, does not exceed the maximum percentage stated as the entry charge in the *key investor information document*.~~

...

...

Prohibition on promotional payments

6.7.12 R ...

- (2) Paragraph (1) does not apply to the costs an *authorised fund* incurs preparing and printing ~~the key investor information document, NURS KII document or key information document~~ a product summary, 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*.

...

6.9 Independence, names and UCITS business restrictions

...

Use of the term 'UCITS ETF'

6.9.8B G ...

- (2) A 'UCITS ETF' should use the identifier 'UCITS ETF' which identifies it as an exchange traded fund. This identifier should be used in its name, fund rules, *instrument of incorporation*, *prospectus*, ~~key investor information document~~ product summary or marketing communications.

...

...

7 Suspension of dealings, termination of authorised funds and side pockets

...

7.7 UCITS mergers

...

Information to be given to unitholders

7.7.10 R ...

- (3) The information *document* to be provided to the *unitholders* of the *merging UCITS* and the *receiving UCITS* under (1) must include the following:

...

- (e) a copy of ~~the key investor information~~ a product summary (if its preparation is required by *DISC*) of the *receiving UCITS*.

...

General rules regarding the content of merger information to be provided to unitholders

- 7.7.11 R (1) The information *document* that must be provided to *unitholders* under *COLL* 7.7.10R (Information to be given to unitholders) by the *authorised fund manager* of a *UCITS scheme* must be written in a concise manner and in non-technical language.
- (3) The information to be provided to the *unitholders* of the *merging UCITS* must meet the needs of investors who have no prior knowledge of the features of the *receiving UCITS* or of the manner of its operation, drawing their attention to ~~the key investor information of a product summary~~ for the receiving UCITS and emphasising the desirability of reading it.

...

...

Specific rules regarding the content of merger information to be provided to unitholders of the merging UCITS

- 7.7.13 R (1) The information *document* that the *authorised fund manager* of a *merging UCITS* must provide to its *unitholders* under *COLL* 7.7.10R(3)(b) must also include:

...

- (b) if the ~~key investor information~~ respective product summaries of the *merging UCITS* and the *receiving UCITS* show ~~synthetic risk and reward indicators in different categories~~ different risk scores, or identify different material risks in the accompanying narrative, a comparison of those differences;
- (c) a comparison of all charges, fees and expenses for both *schemes*, based on the amounts disclosed in their respective ~~key investor information~~ product summaries;

...

...

...

Key investor information

- 7.7.16 R The *authorised fund manager* of a *merging UCITS* must provide an up-to-date ~~version of the key investor information of~~ product summary for the *receiving UCITS* to its existing *unitholders*.

~~[Note: article 5(1) of the UCITS implementing Directive No 2]~~

New unitholders

- 7.7.18 R Between the date when the information required under COLL 7.7.10R is provided to *unitholders* and the date when the merger takes effect, the information ~~document~~ document and the up-to-date ~~key investor information of~~ product summary for the *receiving UCITS* must be provided to each *person* who purchases or subscribes for *units* in either the *merging UCITS* or the *receiving UCITS* or who asks to receive copies of the *instrument constituting the fund*, *prospectus* or ~~key investor information~~ product summary of either scheme.

~~[Note: article 6 of the UCITS implementing Directive No 2]~~

...

7.8 Side pockets

...

~~Modified application of COLL 4.7 (Key investor information and marketing communications)~~

- 7.8.21 R ~~The rules in COLL 4.7.2R (Key investor information) do not require an authorised fund manager to draw up a key investor information document or a NURS KH document in relation to a side pocket class. [deleted]~~

...

8 Qualified investor schemes

...

8.3 Investor relations

...

Drawing up and availability of a prospectus

...

- 8.3.2A 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). [deleted]~~

- (2) The requirements of the *PRIIPs Regulation* form part of UK law.

- (3) ~~As a result, when a *qualified investor scheme* is made available to *retail clients* the *authorised fund manager* will need to prepare a *key information document* in accordance with the *PRIPs Regulation*, in addition to the *prospectus*.~~

...

9 Recognised schemes

...

9.3 Section 272 recognised schemes

Information and documents to be supplied for a section 272 application

9.3.1 D ...

- (4) The *operator* of the *scheme* must provide the following information and *documents* with the application:

...

- (m) (where applicable) a ~~copy of the *key information document*~~ product summary (see ~~COLL 9.3.4G~~ DISC).

...

Preparation of a ~~key information document~~ product summary in accordance with the ~~PRIPs regulation~~ DISC

- 9.3.4 G (1) ~~The *PRIPs Regulation* DISC requires the ~~manufacturer~~ *manufacturer* of a *PRIP consumer composite investment* to draw up ~~prepare~~ a *key information document* in accordance with the *PRIPs Regulation* product summary before that *PRIP consumer composite investment* is made available for distribution to ~~retail investors~~ (as defined in the *PRIPs Regulation*) retail investors.~~
- (2) ~~The requirements of the *PRIPs Regulation* are directly applicable.~~
[deleted]
- (3) As a result, when a *scheme* recognised under section 272 of the *Act* is made available for distribution to ~~retail clients in the United Kingdom~~ retail investors the ~~operator~~ *manufacturer* of the *recognised scheme* must draw up ~~prepare~~ a *key information document* in accordance with the *PRIPs Regulation*, unless the *operator* of such a *scheme* is otherwise exempt from such a requirement under the *PRIPs Regulation* for the time being product summary.

...

9.4 Facilities in the United Kingdom for schemes recognised under section 272 of the Act

...

Documents

- 9.4.2 R (1) The *operator* of a *scheme* recognised under section 272 of the *Act* must maintain facilities in the *United Kingdom* for any *person*, for inspection (free of charge) and for the obtaining (free of charge, in the case of the *documents* at (c), (d) and (e), and otherwise at no more than a reasonable charge) of copies in English of:

...

- (d) for a *recognised scheme* which is an *EEA UCITS scheme*, the ~~*EEA key investor information document*~~ *product summary* for the *EEA UCITS scheme*; and

...

...

...

9.5 OFR recognised schemes

...

Guidance on the UK retail disclosure regime in DISC

- 9.5.8 G [to follow]

- (1) *DISC* requires the *manufacturer* of a *consumer composite investment* to prepare a *product summary* before that *consumer composite investment* is made available for distribution to *retail investors*.
- (2) *As a result, when an OFR recognised scheme is made available to retail investors, the manufacturer of the OFR recognised scheme must prepare a product summary.*

...

Facilities for investors in the United Kingdom for OFR recognised schemes

- 9.5.13 R (1) The *operator* of an *OFR recognised scheme* must maintain facilities for any *person* in the *United Kingdom* to:
- (a) inspect (free of charge) up-to-date copies in English of:

...

- (iv) ~~the key investor information document~~ (in respect of *retail investors* only) a product summary or equivalent disclosure document;

...

...

...

11 Master-feeder arrangements for UCITS schemes

...

11.2 Approval of a feeder UCITS

...

Application for approval of an investment in a master UCITS

- 11.2.2 R (1) An application for approval of an investment in a *master UCITS* under section 283A of the *Act* must be accompanied by the following documents:

...

- (b) the *prospectus* and ~~the key investor information referred to in COLL 4.7.2R (Key investor information)~~ of for both the feeder UCITS and of the master UCITS;

...

...

...

11.4 Depositaries

...

Notification of irregularities

- 11.4.3 R ...

- (2) The irregularities referred to in (1) include, but are not limited to:

...

- (d) breaches of the investment objectives, policy or strategy of the *scheme* as described in the *instrument constituting the fund*, the *prospectus* or ~~the key investor information~~ a product summary; and

- (e) breaches of investment and borrowing limits set out in *COLL*, the *instrument constituting the fund*, the *prospectus* or ~~the key investor information~~ a product summary.

[**Note:** article 61(2) of the *UCITS Directive* and article 26 of the *UCITS implementing Directive No 2*]

...

11.6 Winding up, merger and division of master UCITS

...

Application for approval by a feeder UCITS where a master UCITS is wound up

- 11.6.3 R Where the *authorised fund manager* of a *UCITS scheme* that is a *feeder UCITS* is notified that its *master UCITS* is to be wound up, it must submit to the *FCA* the following:

- (1) where the *authorised fund manager* of the *feeder UCITS* intends to invest at least 85% in value of the *scheme property* in *units* of another *master UCITS*:

...

- (c) the amendments to its *prospectus* and its ~~key investor information in accordance with *COLL 4.2.3 R(1)(b)* (Provision and filing of the prospectus) and *COLL 4.7.7 R(1)* (Revision and filing of key investor information)~~ product summary; and

...

- (2) where the *authorised fund manager* of the *feeder UCITS* intends to convert it into a *UCITS scheme* that is not a *feeder UCITS*:

...

- (b) the amendments to its *prospectus* and its ~~key investor information in accordance with *COLL 4.2.3 R(1)(b)* and *COLL 4.7.7 R(1)*~~ product summary; and

...

...

Application for approval by a feeder UCITS where a master UCITS merges or divides

- 11.6.5 R Where the *authorised fund manager* of a *UCITS scheme* that is a *feeder UCITS* is notified that the *master UCITS* is to merge with another *UCITS scheme* or *EEA UCITS scheme* or divide into two or more such *schemes*, it must submit to the *FCA* the following:

- (1) where the *authorised fund manager* of the *feeder UCITS* intends it to continue to be a *feeder UCITS* of the same *master UCITS*:

...

- (c) where applicable, the amendments to its *prospectus* and its ~~key investor information in accordance with COLL 4.2.3 R(1)(b) and COLL 4.7.7 R(1)~~ product summary;

- (2) where the *authorised fund manager* of the *feeder UCITS* intends it to become a *feeder UCITS* of another *master UCITS* resulting from the proposed merger or division of the *master UCITS*, or intends the *feeder UCITS* to invest at least 85% in value of the *scheme property* in *units* of another *master UCITS* not resulting from the merger or division:

...

- (c) the amendments to its *prospectus* and its ~~key investor information in accordance with COLL 4.2.3 R(1)(b) and COLL 4.7.7 R(1)~~ product summary;

...

- (3) where the *authorised fund manager* of the *feeder UCITS* intends it to convert into a *UCITS scheme* that is not a *feeder UCITS*:

...

- (b) the amendments to its *prospectus* and its ~~key investor information in accordance with COLL 4.2.3 R(1)(b) and COLL 4.7.7 R(1)~~ product summary; and

...

...

11 Contents of the standard master-feeder agreement

Annex

1

- R This table belongs to the *rule* on the conclusion and prescribed content of a standard *master-feeder agreement* (COLL 11.3.2R(1)).

(1)	Provisions related to access to information by a <i>master UCITS</i> and a <i>feeder UCITS</i> :	
	(a)	how and when the <i>master UCITS</i> provides the <i>feeder UCITS</i> with a copy of it <u>its instrument constituting the fund; and the prospectus and key investor information</u> or any amendment of them;

	...	
...		
(6)	Provisions related to changes to the standing arrangements:	
	How and when notice is to be given:	
	(a)	by the <i>master UCITS</i> of proposed and effective amendments to its <i>instrument constituting the fund</i> , and prospectus and key investor information , if these details differ from the standard arrangements for notification of <i>unitholders</i> laid down in the <i>instrument constituting the fund</i> or <i>prospectus</i> of the <i>master UCITS</i> ;
	...	
...		

...

15 Long-term asset funds

...

15.4 Prospectus and other pre-sale notifications

...

Table: contents of a long-term asset fund prospectus

15.4.5 R This table belongs to *COLL* 15.4.2R.

...	
14	Fees, charges and expenses
	...
	<p>[Note: <i>FUND</i> 3.2.2R(9).]</p> <p>[Note 2: Annex VI of the onshored Commission Delegated Regulation (EU) 2017/653 laying down regulatory technical standards with regard to the presentation, content, review and revision of <i>key information documents</i>, <i>DISC</i> sets out detailed requirements in relation to the costs to be disclosed in a <i>key information document product summary</i>.]</p>
...	

...

Preparation of ~~key information document~~ a product summary in accordance with the ~~PRIIPs regulation~~ DISC

- 15.4.7 G (1) ~~The PRIIPs Regulation DISC~~ requires the ~~manufacturer~~ manufacturer of a ~~PRIIP consumer composite investment~~ to ~~draw up~~ prepare a ~~key information document~~ in accordance with the ~~PRIIPs Regulation~~ product summary before that ~~PRIIP consumer composite investment~~ is made available for distribution to ~~retail investors~~ (as defined in the ~~PRIIPs Regulation~~) retail investors.
- (2) The requirements of the ~~PRIIPs Regulation~~ form part of UK law by ~~virtue of the EUWA~~. [deleted]
- (3) As a result, when a *long-term asset fund* is made available for distribution to ~~retail clients~~ retail investors, the ~~authorised fund manager in the United Kingdom~~ manufacturer of the long-term asset fund must comply with the ~~PRIIPs Regulation DISC~~ and will need to prepare a ~~key information document~~ in accordance with the ~~PRIIPs Regulation~~ product summary, in addition to the *prospectus*.

...

15.8 Valuation, pricing, dealing and income

...

Prohibition on promotional payments

- 15.8.15 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*.
- L (2) Paragraph (1) does not apply to the costs an *authorised fund* incurs preparing and printing the ~~key information document~~ a product summary, provided the *prospectus* states, in accordance with *COLL* 15.4.5R(14) (Table: contents of a long-term asset fund prospectus), that these costs are properly payable to the *authorised fund manager* from *scheme property*.

...

COLL Appendix (UK KII Regulation) and COLL Appendix 2 (Modifications to the KII Regulation for KII Compliant NURS) are **deleted** in their entirety. The deleted text is not shown but the appendices are marked '[deleted]' as shown below.

Appendix ~~UK KII Regulation~~ [deleted]

Appendix 2 ~~Modifications to the KII Regulation for KII-compliant NURS~~ [deleted]

Amend the following as shown.

TP 1 Transitional Provisions

TP 1.1

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
46	The <i>rules and guidance</i> in <i>COLL</i> that relate to a <i>NURS KII document</i> <u>NURS KII document</u> .	R	<p>An authorised fund manager of a non-UCITS retail scheme and an ICVC that is a non-UCITS retail scheme may comply with the provisions in column (2) using a key investor information document (as modified by a general direction from the FCA) created before 1 January 2018 if it:</p> <p>(1) had dispensation from the <i>FCA</i> through a modification by consent to market units of the non-UCITS retail scheme using that document until 1 January 2018; and</p> <p>(2) decides to draw up a <i>NURS KII document</i>, instead of a key investor information document, in accordance with <i>COLL</i> 4.7 after 1 January 2018.</p>	From 1 January 2018 until 19 February 2018	1 January 2018

			[expired]		
...					

...

Sch 2 Notification requirements

Sch 2.2 G 1 Notification requirements

Handbook reference	Subject of record	Content of record	When record must be made	Retention period
...				
<i>COLL</i> 4.7.7R(2) [deleted]	<i>Key investor information document</i>	Full details, together with any amendments	On first use	Immediate
<i>COLL</i> 4.7.7R(3) [deleted]	<i>Key investor information document of the master UCITS</i>	Full details, together with any amendments	On first use	Immediate
...				

Annex I

Amendments to the Investment Funds sourcebook (FUND)

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

3 Requirements for alternative investment fund managers

...

3.2 Investor information

...

Preparation of ~~key information document~~ a product summary in accordance with the ~~PRHPs regulation~~ DISC

3.2.4B G (1) The ~~PRHPs Regulation~~ DISC requires the ~~manufacturer~~ manufacturer of a ~~PRHP consumer composite investment~~ to ~~draw up~~ prepare a ~~key information document in accordance with the PRHPs Regulation~~ product summary before that ~~PRHP consumer composite investment~~ is made available for distribution to retail investors (as defined in the PRHPs Regulation) retail investors.

(2) ~~The requirements of the PRHPs Regulation are directly applicable.~~
[deleted]

(3) As a result, if an AIFM makes the AIF it manages available to ~~retail clients~~ retail investors in the United Kingdom it must comply with the ~~PRHPs Regulation~~ DISC.

(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~~ manufacturer of the AIF must prepare: a product summary.

(a) ~~a key information document; or~~

(b) ~~if the AIF is a non-UCITS retail scheme, a key information document or a NURS KH document.~~

...

10 Operating on a cross-border basis

...

10.5 National private placement

...

Provision of ~~key information document~~ a product summary in accordance with the ~~PRHPs Regulation~~ DISC

- 10.5.13 G ~~An AIFM that makes~~ The manufacturer of an AIF which is made available to ~~retail clients~~ retail investors in the *United Kingdom* will need to ~~draw up~~ prepare a ~~key information document~~ product summary in accordance with the ~~PRHPs Regulation~~ requirements in DISC.

Annex J

Amendments to the Prospectus Regulation Rules sourcebook (PRR)

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

1 Preliminary

1.1 Preliminary

...

~~PRIIPs Regulation~~ Product Disclosure sourcebook (DISC)

- 1.1.9 G An *issuer, offeror* or *person* requesting *admission to trading* should also consider whether the requirements ~~of the *PRIIPs Regulation*~~ in *DISC* apply.

...

2 Drawing up the prospectus

2.1 General contents of prospectus

...

Contents of summary

- 2.1.4 UK Article 7(3) to (12) of the *Prospectus Regulation* provides for how the contents of the *summary* are to be determined:

...

5. The section referred to in point (a) of paragraph 4 shall contain:

...

It shall contain the following warnings:

...

- (f) where applicable, the comprehension alert required in accordance with point (b) of Article 8(3) of [~~the *PRIIPs Regulation*~~ *PRIIPs Regulation*].

[Editor's note: the *PRIIPs Regulation* has been repealed and therefore this is a legacy reference which will be removed from legislation upon the repeal of the *Prospectus Regulation*.]

...

7. The section referred to in point (c) of paragraph 4 shall contain the following information:

...

Where a key information document is required to be prepared under [the ~~PRIIPs Regulation~~ PRIIPs Regulation], the issuer, the offeror or the person asking for admission to trading on a regulated market may substitute the content set out in this paragraph with the information set out in points (c) to (i) of Article 8(3) of [the ~~PRIIPs Regulation~~ PRIIPs Regulation].

Where there is a substitution of content pursuant to the second subparagraph, the maximum length set out in paragraph 3 shall be extended by three additional sides of A4-sized paper. The content of the key information document shall be included as a distinct section of the summary. The page layout of that section shall clearly identify it as the content of the key information document as set out in points (c) to (i) of Article 8(3) of [the ~~PRIIPs Regulation~~ PRIIPs Regulation].

Where, in accordance with the third subparagraph of Article 8(9), a single summary covers several securities which differ only in some very limited details, such as the issue price or maturity date, the maximum length set out in paragraph 3 shall be extended by two additional sides of A4-sized paper. However, in the event that a key information document is required to be prepared for those securities under [the ~~PRIIPs Regulation~~ PRIIPs Regulation] and the issuer, the offeror or the person asking for admission to trading on a regulated market proceeds with the substitution of content referred to in the second subparagraph of this paragraph, the maximum length shall be extended by three additional sides of A4-sized paper for each additional security. Where the summary contains the information referred to in point (c) of the first subparagraph, the maximum length set out in paragraph 3 shall be extended by one additional side of A4-sized paper.

[Editor's note: the PRIIPs Regulation has been repealed and therefore this is a legacy reference which will be removed from legislation upon the repeal of the *Prospectus Regulation*.]

...

...

App 1 Relevant definitions

App 1.1 Relevant definitions

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

...	
<i>PRIPs Regulation</i>	<p>the UK version of 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), which is part of UK law by virtue of the EUWA.</p> <p>See: http://data.europa.eu/eli/reg/2014/1286/oj</p>
...	

Annex K

Amendments to the Product Disclosure sourcebook (DISC)

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

[*Editor's note:* Any inconsistencies in numbering as a result of deletions of provisions, sub-provisions and annexes set out in this Annex will be resolved when these rules are made final.]

1A General

...

1A.2 Scope rules

1A.2.1 R (1) The following are *consumer composite investments*:

...

- (d) a *security* issued by a *fund*, or rights to or interests in such a *security*, but excluding *units* in an *ACS* or in a *qualified investor scheme*;

...

...

...

Debt securities – neutral features

1A.2.4 R Inclusion of a feature listed below does not cause a *debt security* to become a *consumer composite investment* in *DISC* 1A.2.1R(1)(h) or *DISC* 1A.2.2R(1), nor to be excluded from being a *consumer composite investment* under *DISC* 1A.2.3R:

(1) a fixed *coupon* rate, including where:

- (a) a set *coupon* rate applies until maturity, including a nil or zero rate; and
- (b) ~~the interest payable is not subject to any additional modification or structuring such as, for example, a cap, or a floor other than zero~~ the *coupon* rate is subject to pre-defined changes at fixed times prior to maturity (that is, a stepped *coupon*);

...

...

2A General obligations

...

2A.2 Manufacturing and pre-distribution stage

...

- 2A.2.8 R A *firm* must ensure that any *additional product information* in marketing materials, the *prospectus*, product documentation, or other communications with or for the *retail investor* relating to the *consumer composite investment* is consistent with the *core information disclosures* and with the *product summary*, and does not contradict or downplay the information in the *product summary*.

...

...

2A.3 Distribution and promotion of consumer composite investments

...

- 2A.3.5 R ...

- 2A.3.6 R A *firm* may satisfy its obligations under DISC 2A.3.1R by providing the *product summary* to a *person* who is legally empowered (solely or jointly with others) to make investment decisions on behalf of the *retail investor*.

- 2A.3.7 R (1) The obligation in DISC 2A.3.1R is modified in respect of regular or repeated investments by the same *retail investor* in the same *consumer composite investment*.

- (2) Where (1) applies, the *product summary* needs to be provided only in respect of the initial transaction and thereafter the *firm* must notify the *retail investor*, at least at yearly intervals, of where they can find the latest version of the *product summary*.

...

3 Preparing the product summary

...

3.2 General requirements for the product summary

- 3.2.1 R ...

- (3) ...

- (b) The requirement in (a) is modified in relation to:
- (i) a multi-option product (see *DISC 2A.4.1R*), in that the *product summary* may rely on cross-references to the wrapper's general summary and need not be separate from it;
 - (ii) the consumer composite investment's prospectus, in that the *product summary* must include a cross-reference to those parts of the *prospectus* where more detailed information on costs and charges can be found (see *DISC 3.3.3R*); and
 - (iii) the *product summary* for a feeder NURS or an ICVC that is a feeder NURS, in that the authorised fund manager must cross refer to documents relating to its qualifying master scheme which enable retail investors to understand the qualifying master scheme's key particulars, including:
 - (A) its investment strategy;
 - (B) a description and explanation of any material differences between the risk profile of the feeder NURS and that of the qualifying master scheme; and
 - (C) 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.

...

...

3.3 Product summary – additional requirements

...

Filing of product summary – UCITS and non-UCITS funds

- 3.3.8 R (1) An authorised fund manager must file the *product summary* for each UCITS scheme and non-UCITS retail scheme which it manages, and any amendments or updates to it, with the FCA.
- (2) An authorised fund manager of a feeder UCITS or feeder NURS must, in addition to (1), file the *product summary* of its master UCITS or qualifying master scheme, and any amendments thereto, with the FCA.

...

4 Further obligations

...

4.4 Non-authorised persons – additional general obligations

4.4.1 R The rules in this section only apply to a firm which is an unauthorised person.

General principles

~~4.4.1~~ 4.4.2 R ...

4.4.2 ~~4.4.3~~ R A contravention of *DISC* 4.4.1R does not give rise to a right of action under ~~section 138D of the Act~~ regulation 9 of the *Consumer Composite Investment Regulations*.

~~4.4.3~~ 4.4.4 G ...

Complaints handling

4.4.5 R A firm must establish and maintain transparent policies and procedures ensuring the effective, fair and reasonable handling and resolution of complaints.

4.4.6 R (1) As part of the policies and procedures in (1), the firm must:

- (a) publish clear information about its complaints handling procedures, including information on how to submit a complaint, and on any alternative dispute resolution mechanism that may be available;
- (b) ensure that a retail investor is able to submit a complaint free of charge and without unreasonable barriers, including in particular:
 - (i) unreasonable additional costs to the complainant;
 - (ii) steps which are unreasonably onerous, time-consuming, complex or difficult for a retail investor to understand; or
 - (iii) asking the retail investor for unnecessary information or evidence.

4.4.7 R In complying with *DISC* 4.4.6R, the firm must ensure that, once a complaint is received:

- (1) the complainant receives a prompt written acknowledgment including a brief explanation of the typical stages and timelines applicable to the *firm*'s complaints handling procedures;
- (2) the *complaint* is investigated and assessed competently, impartially, without unreasonable delay and taking account of all relevant factors, including when the *firm* is determining:
 - (a) whether the *complaint* should be upheld or rejected; and
 - (b) what, if any, remedial action or offer of compensation may be appropriate in the circumstances;
- (3) the complainant receives a written response providing a clear explanation of its assessment of the *complaint* and setting out any offer of remedial action or compensation as appropriate; and
- (4) the *firm* complies promptly with the terms of any offer made to the complainant if and when it is accepted.

4.4.8 R A *firm* must keep a record of each *complaint* received and of the measures taken for its resolution for a reasonable period of at least three years.

4.4.9 R The requirements set out in *DISC* 4.4.5R to *DISC* 4.4.8R do not apply to the *operator* of a *recognised scheme* with respect to *complaints* about the operation of the *scheme*.

5 Core information disclosures

...

5.2 General product information

5.2.1 R The *general product information* comprises the following:

...

(7) information about:

...

- (c) whether any alternative dispute resolution or compensation scheme from a country ~~outside~~ other than the *UK* applies in respect of the *consumer composite investment* and the conditions to access any such scheme;

...

...

6 Costs and charges information

...

6.2 Calculation and disclosure requirements

...

Calculation: general principles

...

- 6.2.5 R *DISC 6.2.4R(2) is modified in the case of transaction costs, which must be calculated ~~using the time periods (and related methodology)~~ in accordance with the requirements in DISC 6.4.*

...

6.4 Transaction costs

General

- 6.4.1 R (1) *Transaction costs are explicit costs or charges, other than one-off costs, that are incurred in the course of the buying or selling of investments underlying or otherwise relating to a consumer composite investment.*
- (2) *Transaction costs include but are not limited to:*
- (a) *broker commissions, exchange fees and other payments to agents, intermediaries or trading venues;*
- (b) *stamp duty and other taxes or levies; and*
- (c) *legal expenses.*
- ~~6.4.1~~ 6.4.2 R (1) *Subject to (2), transaction costs must be calculated on an annualised basis, based on an average of those transaction costs under this section incurred in relation to the consumer composite investment over the previous 36 months.*
- (2) *Where the consumer composite investment has been operating for less than 36 months, transaction costs must be ~~calculated in accordance with [DISC 6.4.8R]~~ estimated on a reasonable basis.*
- 6.4.3 G *The following factors will normally be relevant to the estimate in DISC 6.4.2R(2):*
- (1) *actually incurred costs and charges;*
- (2) *the actual or anticipated rate and volume of turnover of the consumer composite investment's portfolio of underlying assets;*

- (3) market rates for the sort of fees or charges expected to be incurred as part of the establishment, operation, management or carrying out of the *consumer composite investment*; and
- (4) anticipated changes in costs or charges over the initial 36 months of operation of the *consumer composite investment*.

6.4.4 G In respect of a new *consumer composite investment*, the estimate in *DISC 6.4.2R(2)* should additionally be compared against the *transaction costs of consumer composite investments* with a similar structure, investment strategy, and underlying assets by way of checking its reasonableness.

Application of methodologies

- 6.4.2 R *Transaction costs* incurred in relation to a *consumer composite investment* over the previous 36 months must be calculated using:
- (1) the methodology described in *DISC 6.4.3R* to *DISC 6.4.5R* for transactions in *financial instruments* where there are frequent opportunities to dispose of, redeem, or otherwise realise the investment at prices that are publicly available to market participants and that are either market prices or prices made available, or validated, by valuation systems independent of the issuer;
 - [(2) the methodology described in *DISC 6.4.3R(1)* as modified by *DISC 6.4.6R*, for transactions in *financial instruments* or other *financial investments* not referred to in (1); and
 - (3) the methodology in *DISC 6.4.7R* for transactions in non-financial investments.]
- [Editor's note: *DISC 6.4.6R* and *6.4.7R* are marked below as being illustrative only for the purposes of this consultation]

Consumer composite investments in operation for at least 36 months

- 6.4.3 R (1) Subject to *DISC 6.4.5R* (transactions executed on an over-the-counter basis), the cost of each transaction must be calculated on the following basis, with the resulting value multiplied by the number of assets purchased or sold (as applicable):
- (a) for each purchase of an *investment* underlying the *consumer composite investment*, the price of the *investment* at the time the purchase order is transmitted to another person for execution (the purchase 'arrival price') will be subtracted from the net realised execution price of the transaction; or
 - (b) for each sale of an *investment* underlying the *consumer composite investment*, the net realised execution price of

the transaction will be subtracted from the price of the *investment* at the time the order to sell is transmitted to another person for execution (the sale 'arrival price').

- (2) ~~The 'net realised execution price' referred to in (1) is the price at which a transaction is executed, including all charges, commissions, taxes and other payments (such as anti-dilution levies) associated with the transaction, either directly or indirectly, where those payments are made from the assets of the consumer composite investment.~~
- (3) ~~The arrival price must be determined in accordance with the following methodology:~~
 - (a) ~~the arrival price will be the mid-market price of the *investment* at the time when the order to transact is transmitted to another person;~~
 - (b) ~~for orders that are transacted on a day that is not the day that the order was originally transmitted to another person, the arrival price will be determined as the opening price of the *investment* on the day of the transaction or, where the opening price is not available, the previous closing price;~~
 - (c) ~~where a price is not available at the time when the order to transact is transmitted to another person the arrival price will be determined as the most recently available price or, where a recent price is not available, a justifiable independent price or, where a justifiable independent price is not available, the opening price on the day of the transaction or, where the opening price is not available, the previous closing price;~~
 - (d) ~~where an order is executed without being transmitted to another person, the arrival price will be determined as the mid-market price of the *investment* at the time when the transaction was executed;~~
 - (e) ~~where information about the time when the order to transact is transmitted to another person is not available (or not available to a sufficient level of accuracy), or where information about the price at that time is not available, a justifiable independent price may be used as the arrival price or, where a justifiable independent price is not available, the opening price of the investment on the day of the transaction or, where the opening price is not available, the previous closing price.~~
- (4) ~~Transaction costs concerning financial instruments that fall within one of the categories referred to in paragraphs 4 to 10 of~~

Part 1 of Schedule 2 to the *Regulated Activities Order* must be calculated in the following way:

- (a) for *financial instruments* that are standardised and which are regularly traded:
 - (i) transaction costs must be calculated with reference to the *financial instrument* itself; and
 - (ii) The arrival price must be determined as the mid-price of the *financial instrument*;
- (b) for linear *financial instruments* that are customised and where there is no price transparency or regular trading in the *financial instrument* itself:
 - (i) transaction costs must be calculated with reference to the underlying asset(s);
 - (ii) the arrival price must be calculated based on the price(s) of the underlying assets, using appropriate weightings if there is more than one underlying asset; and
 - (iii) where the cost of transacting in the *financial instrument* is materially higher than the cost of transacting in the underlying asset, this must be reflected in the transaction cost calculation;
- (c) for non-linear *financial instruments*, the transaction costs must be calculated in accordance with:
 - (i) the way described in (b); or
 - (ii) in terms of implicit costs, meaning the difference between the price paid or received for the *financial instruments* and the fair value of the instrument, using the methodology described in [DISC 6.5.2R and DISC 6.5.3R].

[Editor's note: DISC 6.5 (implicit costs) is marked below as being illustrative only for the purposes of this consultation]

6.4.4 R In calculating the costs associated with:

- (1) foreign exchange, the arrival price must reflect a reasonable estimate of the consolidated price which must not be the price available from a single counterparty or foreign exchange platform, even if an agreement exists to undertake all foreign exchange transactions with a single counterparty;

- (2) ~~orders that are initially entered into an auction, the arrival price must be calculated as the mid-price immediately prior to the auction;~~
- (3) ~~orders that are executed at a pre-determined time, the arrival price must be calculated at that pre-determined time, even if the order has been transmitted for execution before that time.~~

~~Transactions executed on an over-the-counter basis~~

- 6.4.5 R (1) ~~DISC 6.4.3R does not apply in respect of transactions executed on an over the counter basis, for which the *transaction costs* must be calculated in the following way:~~
- (a) ~~where a transaction is executed after bid prices and offer prices have been obtained from more than one potential counterparty, the arrival price must be determined as:~~
 - (i) ~~the mid-point between the best bid price and best offer price, where the best bid price is below the best offer price;~~
 - (ii) ~~the best bid price in the case of a sale or the best offer price in the case of a purchase, where the best bid price is higher than the best offer price;~~
 - (b) ~~Where a transaction is executed without both bid prices and offer prices having been obtained, the transaction cost must be calculated by multiplying the number of units transacted by half the value of the spread between the bid price and the offer price of the *financial instrument*, with value of that spread calculated on the following basis:~~
 - (i) ~~from a composite of live market bid/offer quotes, where available; or~~
 - (ii) ~~where live market quotes are not available they must be obtained by reference to spreads from either:~~
 - (A) ~~previous transactions in assets bearing similar characteristics (including duration, maturity, coupon and call /put ability) and liquidity, using transactions previously executed by the *manufacturer*; or~~
 - (B) ~~data verified by an independent third party or an asset valuation from an independent third party.~~

...

The illustrative drafting included in the draft legal instrument for CP24/30 at DISC 6.4.6R to DISC 6.4.9R and DISC 6.5 is **deleted**. The deleted text is not shown.

Insert the following new transitional provisions and schedules after DISC TP 1 (Transitional provisions [deleted]). The text is all new and is not underlined.

TP 2 Consumer composite investment transitional provisions

Application

- TP 2.1 R (1) During the transitional period:
- (a) the *rules* in these transitional provisions are to have effect; and
 - (b) the other *rules* in *DISC* are to have effect only as specified in these transitional provisions.
- (2) The transitional period begins on [*Editor's note*: insert the commencement date of this instrument] and ends on [*Editor's note*: insert the date 18 *months* from commencement date].

Disclosure document: preparation and publication

- TP 2.2 R (1) For each *consumer composite investment* it *manufactures*, a *manufacturer* must prepare a disclosure document and provide it to the *distributor* in good time before the *consumer composite investment* is made available for *distribution* to *retail investors*.
- (2) In these transitional provisions, a disclosure document is:
- (a) a *product summary* prepared in accordance with *DISC* 3; or
 - (b) a document that would have met the content requirements of the following, as they applied to the *consumer composite investment* on the day before [*Editor's note*: insert the commencement date of this instrument]:
 - (i) the PRIIPs Regulation and the PRIIPs technical standards;
 - (ii) *COLL* 4.7 and the KII Regulation; or
 - (iii) provisions requiring the preparation of an EEA key investor information document.
- (3) Subject to the modification in (4), a *manufacturer* must prepare a disclosure document of the type specified in:

- (a) paragraph (2)(a) (a *product summary* prepared in accordance with *DISC* 3); or
 - (b) whichever of paragraphs (2)(b)(i), (ii) or (iii) sets out the requirements that applied or would have applied in relation to the *consumer composite investment* the day before [*Editor's note*: insert the commencement date of this instrument].
- (4) Where the *consumer composite investment* is of a type for which a key information document, key investor information document or an EEA key investor information document was not or would not have been required the day before [*Editor's note*: insert the commencement date of this instrument], the *manufacturer*:
- (a) is not required to prepare a disclosure document before the day 12 *months* from [*Editor's note*: insert the commencement date of this instrument];
 - (b) from the day set out in paragraph (5)(a) and until the end of the transitional period, must prepare a disclosure document of the type specified in:
 - (i) paragraph (2)(a) (a *product summary* prepared in accordance with *DISC* 3); or
 - (ii) whichever of paragraphs (2)(b)(i), (ii) or (iii) sets out the content requirements which are the most suitable in relation to that *consumer composite investment*.
- (5) A *manufacturer* must publish a disclosure document it is required to prepare on its website before the *consumer composite investment* is made available to a *retail investor*.

TP 2.3 G The effect of *DISC* TP 2.2R is to give optionality to *manufacturers*, during the transitional period, to either produce a *product summary* in accordance with *DISC* requirements or continue to produce whichever disclosure document would have been required in respect of the *consumer composite investment* on the day before the commencement of the transitional period: a key information document, a key investor information document, or an EEA key investor information document, in each case in a manner that complies with the requirements that applied on the day before the commencement of the transitional period.

For *consumer composite investments* that are new to the market or were not otherwise subject to the previous disclosure regimes under the PRIIPs Regulation or *UCITS* the day before the commencement of the transitional period, the *manufacturer* is not required to prepare a disclosure document for the first 12 *months* of the transitional period. *Manufacturers* which are *authorised persons* are reminded of their

obligations under the *FCA's rules*, in particular the Consumer Duty (*Principle 12* and *PRIN 2A*), which remain relevant during that period. After the first 12 *months* and for the remaining duration of the transitional period the *manufacturer* must prepare a *product summary* or a document equivalent to the document the manufacturer would have had to prepare had a preceding regime been applicable.

Distribution of a consumer composite investment

- TP 2.4 R (1) A *firm* must not *distribute* a *consumer composite investment* to a *retail investor* unless it provides the disclosure document for that *consumer composite investment* to the *retail investor* sufficiently early to allow the investor enough time to consider the disclosure document before being bound by any contract or offering relating to that *consumer composite investment*.
- (2) The requirement in (1) does not apply to a *consumer composite investment* for which a *manufacturer* is not required to prepare a disclosure document under *DISC 2.2R(4)* for the first 12 *months* of the transitional period.
- TP 2.5 G *DISC TP 2.4R(1)* prohibits a *firm* from distributing a *consumer composite investment* to a *retail investor* without providing that investor with the disclosure document prepared for that *consumer composite investment* by the *manufacturer*.

Disclosure document: review and revision

- TP 2.6 R (1) In respect of each *consumer composite investment* it *manufactures*, a *manufacturer* must:
- (a) review any disclosure document prepared regularly and at least once in every 12-*month* period; and
- (b) revise or update the disclosure document where necessary so that it is up to date and compliant with *DISC TP 2.2R*.
- (2) Following a review under (1), a *manufacturer* must publish a revised or updated disclosure document on its website.

Financial promotions

- TP 2.7 R The rules in *COBS 4* (financial promotions) do not apply to a disclosure document, other than a *product summary*, provided the disclosure document complies with the relevant content requirements in *DISC TP 2.2R(2)(b)*.

Additional product information

- TP 2.8 R A *firm* must ensure that any *additional product information* in marketing materials, product documentation, or other communications with or for the *retail investor* is consistent with a disclosure document prepared for

the relevant *consumer composite investment* and does not contradict or downplay the information in that document.

Product summaries filed with the FCA

- TP 2.9 R (1) Where an *authorised fund manager* prepares a disclosure document for a *UCITS scheme* or a *non-UCITS retail scheme* which it manages, it must file that disclosure document, and any amendments thereto, with the *FCA*.
- (2) The *authorised fund manager* of a *feeder UCITS* or *feeder NURS* must, in addition to (1), file the disclosure document of its *master UCITS* or *qualifying master scheme*, and any amendments thereto, with the *FCA*.

Consequential amendments

- TP 2.10 R (1) Provisions in the following sourcebooks apply in respect of a *consumer composite investment* for which a disclosure document specified in *DISC* TP 2.2(b)(i), (ii) and (iii) is prepared, as they would have applied to that *consumer composite investment* on the day before [*Editor's note*: insert the commencement date of this instrument]:
- (a) *BCOBS*;
 - (b) *COBS*;
 - (c) *COLL*;
 - (d) *DEPP*;
 - (f) *ESG*;
 - (g) *FUND*; and
 - (h) *GEN*.
- (2) In these transitional provisions the definitions below should be read as they had effect in the *Handbook Glossary* on [*Editor's note*: insert day before the main commencement day]:
- (a) EEA key investor information document;
 - (b) key information document;
 - (c) key investor information document;
 - (d) KII Regulation;
 - (e) PRIIPs Regulation; and

(f) PRIIPs technical standards.

TP 2.11 G Consequential amendments have been made throughout the *Handbook* as a result of the revocation of the PRIIPs-based framework and its replacement with *rules* and *guidance*, including in *DISC*, relating to *consumer composite investments*.

DISC TP 2.10R preserves the effect of those *rules* and that *guidance* as they were before those amendments were made for a *disclosure document* with the same content as a key information document, a key investor information document or an EEA key investor information document.

The effect of those glossary terms used in these transitional provisions are also preserved for the purposes of these provisions.

Sch 1 Record-keeping requirements

Sch 1.1 G The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements in *DISC*.

Sch 1.2 G It is not a complete statement of those requirements and should not be relied upon as if it were.

Handbook reference	Subject of record	Content of record	When record must be made	Retention period
<i>DISC</i> 3.2.6R (3)	Any revision to the <i>core information disclosures</i> or to the <i>product summary</i>	Details of the revision	When any revision is made	Not specified
<i>DISC</i> 4.4.8R	Complaints handling (unauthorised persons)	Each complaint received and measures taken for its resolution	From receipt of complaint	At least 3 years
<i>DISC</i> 5.4.11R	Risk score	The calculation	When risk score is	At least 5 years or at

		of the risk score as well as any subsequent adjustment or revision	calculated, adjusted or revised	least 5 years after maturity in the case of a <i>consumer composite investment</i> that has a fixed term
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Sch 2 Notification and reporting requirements

- Sch 2.1 G The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant notification and reporting requirements in *DISC*.
- Sch 2.2 G It is not a complete statement of those requirements and should not be relied upon as if it were.

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
<i>DISC</i> 4.4.1R(5)	Regarding a <i>firm</i> that is an <i>unauthorised person</i> , anything relating to itself and its activities of which the <i>FCA</i> would reasonably expect notice	The material referred to in <i>DISC</i> 4.4.1R(5)	When the <i>firm</i> becomes aware	As soon as reasonably practicable

Sch 3 Fees and other required payments

- Sch 3.1 G There are no requirements for fees or other payments in *DISC*.

Sch 4 Powers exercised

- Sch 4.1 G The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the *rules* and *guidance* in *DISC*:

Section 71N (Designated activities: rules)

Section 137A (The *FCA*'s general rules)

Section 137D (*FCA* general rules: product intervention)

Section 137R (Financial promotion rules)

Section 137T (General supplementary powers)

Section 138A (Modification or waiver of rules)

Section 138D (Actions for damages)

Section 139A (Power of the FCA to give guidance)

Section 247 (Trust scheme rules)

Section 261I (Contractual scheme rules)

Section 274 (Applications for recognition of individual schemes)

Section 283 (Facilities and information in UK)

Regulation 6 of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)

Regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024 (SI 2024/1198)

Sch 5 Right of action for damages

- Sch 5.1 G The table below sets out the *rules* in *DISC* the contravention of which by a *manufacturer* or a *distributor* may be actionable under section 138D of the *Act* (Actions for damages) (in relation to *authorised persons*) or actionable under regulation 9 of the *Consumer Composite Investments Regulations* (in relation to *unauthorised persons*) by a *person* who suffers loss as a result of the contravention.
- Sch 5.2 G If a “Yes” appears in the column headed “For private person?”, the *rule* may be actionable by a “*private person*” under section 138D (or, in certain circumstances, that person’s fiduciary or representative; see article 6(2) and 3(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256)) (for *authorised persons*) or under regulation 9 of the *Consumer Composite Investments Regulations* (for *unauthorised persons*). A “Yes” in the column headed “Removed” indicates that the *FCA* has removed the right of action under section 138D(2) of the *Act* (in relation to *authorised persons*) or regulation 9 of the *Consumer Composite Investments Regulations* (in relation to *unauthorised persons*). If so, a reference to the *rule* in which it is removed is also given.
- Sch 5.3 G The column headed “For other person?” indicates whether the *rule* may be actionable by a *person* other than a *private person* (or that person’s fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of *person* by whom the *rule* may be actionable is given.

			Rights of action under section 138D of the Financial Services and Markets Act 2000 and regulation 9 of the Consumer Composite Investments (Designated Activities) Regulations 2024		
Chapter	Section/ Annex	Paragraph	For private person?	Removed?	For other person?
3	2 (General requirements for the product summary)	2	Yes	In part (Note 1)	No
4	4 (Non- authorised persons – additional general obligations)	1	No	Yes – <i>DISC</i> 4.4.2R	No
All other rules in <i>DISC</i>			Yes	No	No
Note					
1.	<i>DISC</i> 3.2.9R provides that if, in preparing it, a <i>firm</i> takes reasonable steps to ensure a <i>product summary</i> complies with the requirement in <i>DISC</i> 3.2.2R(2), a contravention of that <i>rule</i> does not give rise to a right of action under section 138D of the <i>Act</i> .				

Sch 6 Rules that can be waived

- Sch 6.1 G As a result of section 138A of the *Act* (Modification or waiver of rules), the *FCA* has power to waive all its *rules*, other than *rules* made under 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*.
- Under regulation 6(3) of the *Consumer Composite Investment Regulations*, the *FCA* has the power to waive *rules* made under regulation 6(1) of those Regulations in such cases and circumstances as it determines in its *rules*. The *FCA* has not set out any cases or circumstances in which it would use this waiver power.

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