

The New CCI Regulations: Changes to the UK PRIIPs Regime

Skadden

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If you have any questions regarding the matters discussed in this memorandum, please contact the following attorneys or call your regular Skadden contact.

Danny Tricot

Partner / London
44.20.7519.7071
danny.tricot@skadden.com

Azad Ali

Of Counsel / London
44.20.7519.7034
azad.ali@skadden.com

Patrick Tsitsaros

Associate / London
44.20.7519.7081
patrick.tsitsaros@skadden.com

Olivia Moul

Trainee Solicitor / London
44.20.7519.7636
olivia.moul@skadden.com

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One Manhattan West
New York, NY 10001
212.735.3000

22 Bishopsgate
London EC2N 4BQ
44.20.7519.7000

Following a series of consultations, and as part of its wider overhaul of the UK's financial services regime, in November 2023, the UK government published a [draft statutory instrument](#) that will replace existing European regulations on packaged retail and insurance-based investment products (PRIIPs) that were retained post-Brexit.

PRIIPs are investments where the amounts payable to a retail investor are subject to fluctuations because of exposure to reference values or the performance of assets that are not directly purchased by the investor. Currently, PRIIPs are regulated in the UK by the retained EU law version of Regulation (EU) No 1286/2014, which has been in force since January 2018 (PRIIPs Regulation).

The draft statutory instrument provides for the replacement of "PRIIPs" with a new term: "Consumer Composite Investments" (CCIs). New regulations relating to CCIs (the Consumer Composite Investments (Designated Activities) Regulations 2024 (CCI Regulations)) will fall within the UK's incoming designated activities regime (DAR), which was introduced by the Financial Services and Markets Act 2023.

The definition of CCIs is substantially similar to that of PRIIPs, but there are certain key changes: The structure of the CCI Regulations will form part of the UK's developing regulatory regime, and the Financial Conduct Authority (FCA) will be empowered to make rules for firms engaged in providing CCIs to UK retail investors (whether they are domestic- or overseas- unauthorised firms).

As explained below, under the CCI Regulations, the FCA will have a greater reach over a wider range of investment activities carried on by more firms than is the currently the case under the PRIIPs Regulation.

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Regulation of PRIIPs will be removed from the UK's financial services regime and replaced with an overarching legislative framework containing retail disclosure requirements that are set by the FCA.

Rather than applying to PRIIPs manufacturers (which include fund managers, insurance undertakings, credit institutions and investment firms) and persons advising on or selling PRIIPs (being the activities regulated by the PRIIPs Regulation), the UK's regime will instead regulate the activities of manufacturing, advising on and offering CCIs to UK retail investors. These will be "designated activities" under the DAR, and will require disclosure.

There is, in practice, little difference between "selling" a PRIIP, which involves person offering or concluding a PRIIP contract with a retail investor, and "offering" a CCI, although the latter is broader in application: it includes selling a CCI but also covers *communicating sufficient information* on the CCI investment to be offered and the *terms* on which it is offered to enable a person to *decide to buy* the CCI in question. How this designated activity interacts with the UK's existing financial promotions regime, which regulates communications relating to investments, remains to be seen.

The upcoming disclosure regime will be tailored and proportionate for UK markets, whilst retaining appropriate protection for retail investors (which is a priority for the FCA, per the implementation of the recent Consumer Duty in 2023). Moving the regulation of investment products directed at retail investors from a separate set of EU-derived

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rules and into the wider financial regulatory regime under the umbrella of FSMA, aligns with the UK government's approach to a "smarter regulatory framework" that consolidates financial services regulation.

Key Changes

Key differences between the CCI Regulations and the PRIIPs Regulation include:

- **In-scope products.** Although products excluded from the regime are largely the same under the CCI Regulations as under the PRIIPs Regulation, the draft statutory instrument does not formally codify the guidance published by the FCA in March 2022 regarding the scope of products captured by the PRIIPs Regulation, including its applicability to corporate bonds. This may be introduced following the FCA's consultation on the new disclosure framework in 2024.
- **Irrelevant provisions.** Provisions such as the formatting and contents of a Key Information Document (KID), or detailed methodologies for calculating cost, risk and performance, will be no longer relevant under the new UK regime and will not be part of the CCI Regulations.
- **Greater FCA powers.** In line with the UK government's broader strategy to memorialise the FCA's new extensive powers to supervise and enforce financial services regulation in the UK, the CCI Regulations provide the FCA with the authority to make detailed rules related to retail disclosure under the DAR. These will include the interpretation of definitions and will set out the scope and application of the CCI disclosure framework. The CCI Regulations also include specific powers for the FCA that are not stated in the DAR, such as those in respect of product intervention.

- **Policy changes.** Certain amendments and restatements will be made in the CCI Regulations to reflect policy changes from the PRIIPs Regulation, such as the definition of "retail investor" as it appears in UK domestic law.
- **Civil liability.** The CCI Regulations expand civil liability regarding disclosure to retail investors who can demonstrate loss. Not only "manufacturers" of such investment products but all firms undertaking the above-mentioned designated activities would be liable.
- **Funds.** All funds, including those covered by the overseas funds regime, will be in-scope of the CCI Regulations. This means that Undertakings for Collective Investment in Transferable Securities (UCITS) funds, which are currently exempted from producing a KID under the PRIIPs Regulation, will retain the benefit of a transition period until 31 December 2026. These firms will therefore have flexibility to prepare for retail disclosure requirements under the new rules.

Despite the wider application of the CCI Regulations to products and activities, the FCA has indicated that the new disclosure regime will be designed to be more flexible for the firms to which it applies.

Conclusion

The FCA intends to consult on the new disclosure rules accompanying the CCI Regulations in the first half of 2024. The wider definition of a CCI compared to a PRIIP means that, potentially, a greater range of investment activity will be captured under the CCI Regulations than under the PRIIPs Regulation. In preparation for the new rules, firms should assess their existing practices in order to determine how they might make disclosures under the future regulatory regime.