

Consultation Paper CP24/30: A New Product Information Framework for Consumer Composite Investments

21 January 2025

Background

On 19 December 2024, the FCA published its much-anticipated consultation paper on Consumer Composite Investments (“CCIs”), “A New Product Information Framework for Consumer Composite Investments” (the “CP”).

This follows HM Treasury’s commitment to replace the EU Packaged Retail and Insurance-based Investment Products (“PRIIPs”) Regulation, which deals with point-of-sale disclosure requirements for all investment products distributed to retail investors, with a domestic regime, with rules set by the FCA. The enabling legislation is [The Consumer Composite Investments \(Designated Activities\) Regulations 2024](#), which was published in November 2024. The regulations provide a framework for the FCA to set out detailed rules and guidelines for the CCI regime, which will take effect once the PRIIPs regime has been repealed. The CP sets out the FCA’s proposed CCI product information rules.

The FCA aims to introduce significant changes to how product information is presented, by moving away from what it describes as a “rigidly templated format”. The FCA prescribes a list of information to be included in the disclosure, described below, but does not require this information to follow any particular template, and will allow firms to include other information, such as that required under the FCA’s Sustainability Disclosure Regime. The new regime is intended to introduce a more flexible and proportionate product information framework, which will apply to any firm that manufactures or distributes a CCI to retail investors in the United Kingdom.

The CP will be of interest to (among others) firms which manufacture, advise on or sell PRIIPs, UCITS (both UK and overseas funds), NURS, or non-PRIIP packaged products (other than pensions products).

What Is a CCI?

A CCI is an investment where the returns are dependent on the performance of or changes in the value of the underlying indirect investments. The proposed rules clarify this broad definition and set-out a number of explicit inclusions.

Products included are:

- structured deposits;
- securities that embed derivatives;
- debt securities with specific features;
- securities issued by a fund or rights to or interests in such securities;
- securities issued by closed-ended investment funds;
- contingent convertible securities;
- contracts for difference; and
- insurance-based investment products

The FCA is clear that this is not an exhaustive list, and firms will need to consider whether their products are CCIs. Some products are excluded from the regime, including pension schemes, non-structured deposits, pure protection contracts, and long-term insurance contracts where benefits are only payable upon death or illness.

The regime will apply to the retail distribution of securities issued by closed-ended investment companies, such as investment trusts, as well as open-ended funds.

Who Will the CCI Regime Apply To?

The regime will apply to any firm that manufactures or distributes a CCI to retail investors in the United Kingdom.

Under the new regime, a manufacturer of a CCI is a person who creates, develops, designs, issues, manages, operates, or carries out a CCI and a distributor of a CCI is a

person who offers, advises on, or sells a CCI, or provides investment services relating to a CCI.

The legislation empowers the FCA to make rules that also apply to firms that are not FCA authorised persons in relation to their CCI activities. The CCI regime will apply in due course to FCA authorised CCI manufacturers and distributors and also to offshore CCI manufacturers, such as fund managers subject to the United Kingdom's 'overseas funds' regime, where they market their funds to UK retail investors. The FCA proposes to impose basic product governance standards on unauthorised manufacturers, requiring them to establish a product governance process, thus ensuring that a CCI is designed to meet the needs, characteristics, and objectives of its target market, that it will provide fair value, that its risks to investors are assessed, and that the product's distribution strategy is appropriate.

Overview of the CCI Regime

The FCA proposes that a CCI must be accompanied by a product summary (replacing the PRIIPs Key Information Document ("KID")) prepared by a product manufacturer whenever it is or can be distributed to a retail investor in the United Kingdom. Manufacturers will make available the core product information in a machine-readable file, and will provide the product summary and underlying core information to the distributors of the CCI in good time before the product is distributed. A distributor may create its own product summary for a CCI, based on the underlying core information, to enable greater tailoring of the communication to the information needs of their retail clients, which the distributor may be better placed to assess.

The FCA proposes to define the minimum investment denomination for a product not within scope (currently £100,000 under PRIIPs) as £50,000, as this value more accurately represents the maximum denomination of a product intended for the retail market.

There will also be changes to the calculation and display of costs and charges, risk and past performance, as described in more detail below. The FCA will create rules for the calculation of these metrics and rely primarily on firms' compliance with the Consumer Duty for the design and delivery of these disclosures.

Proposed Disclosure Requirements

The product summary, replacing the PRIIPs KID, will contain the following information:

- basic information—investment objectives, information on how complaints can be made and information about redress; and
- information about each CCI's costs and charges, risk, and past performance.

The FCA summarises the following proposed changes to disclosures:

	UK PRIIPs regime	CCI regime
Document and Format	KID in a standalone document with specified format/template. Maximum 3 sides of A4. Provided at point of sale.	Firms have freedom to design product information, removing format and template requirements. Provided early in the consumer journey. If a sale is made, firms provide a record in a durable medium which could take various forms.
Cost information	Any direct and indirect costs associated with an investment in the PRIIP, including one-off costs, recurring costs, and incidental costs. A reduction in yield table showing the total impact of costs over time. It must be presented over three different holding periods as a single number in percentage and monetary terms.	Performance fees and carried interest explained using narrative and examples. Changing reduction in yield to summary costs over a 12-month period. Flexibility for firms to describe what costs mean and their impact on returns.
Risk information	1-7 risk metric based on credit and market risk, defined by the Cornish Fischer expansion.	1-10 risk metric based on product volatility. Flexibility to change risk indicator based on key risks or product features such as capital guarantee.

	UK PRIIPs regime	CCI regime
	Risk information that is separated from information on performance.	Combined risk-reward information to help consumers understand the features of products.
Performance information	Descriptions of the factors that are likely to affect the performance of a product both positively and negatively, and the impact those factors may have on its returns.	A past performance graph covering a 10-year period (where this is available), to visually help consumer understanding and to provide more contextual information to consumers.

Costs and Charges

The FCA says that it wants cost information that is calculated using a clear methodology to ensure consistency and accuracy, and is also clear, simple, and presented in a way that is easy to identify, understand, and compare.

To ensure comparability and consistency of cost disclosure across CCI products, the FCA proposes a detailed methodology for the calculation of costs, ensuring that all manufacturers are held to the same standard. The types of costs and charges disclosed will remain broadly unchanged from existing requirements.

Risk and Reward

The FCA proposes a standardised risk and reward metric, calculated by the manufacturer. This will focus on volatility and will be measured by the standard deviation of returns. Manufacturers will be required to consider whether they need to amend the risk score if it is deemed inappropriate. For example, if there is credit or liquidity risk that may result in a consumer being unable to realise their investment, that may increase the risk score. It is proposed that the risk score be accompanied by descriptions which balance the material risks and potential rewards of the product.

The FCA plans to move to a 1 to 10 scale to measure risk. The standard deviation of returns over the past five years will form the basis for the scale, or the returns of an appropriate benchmark or proxy which conveys the volatility of the underlying asset class.

Past Performance

A past performance graph, covering a 10-year period, where available, must be provided to help consumer understanding and to provide more contextual information to consumers. General information about the key factors that determine the performance of the product will also need to be provided for all products.

Transitional Provisions

The FCA intends for the CCI regime to come into force when its Policy Statement is published, or shortly thereafter, but with a substantial transition period. This means that firms will be able to start moving to the new regime as soon as they are able, but existing PRIIPs KIDs that are produced and communicated in line with current obligations will be considered compliant until the end of a proposed 18-month transition period.

A private fund marketed to retail investors in both the European Union and the United Kingdom at the end of the transition period will be required to comply with the EU PRIIPs rules in the EU and the CCI rules in the UK.

Next Steps

The deadline for comments is 20 March 2025 and responses should be submitted using the FCA's online form [here](#). A further consultation, which will focus on draft rules for consequential amendments and transitional provisions, will be published in early 2025. A policy statement containing the final rules is expected later in 2025.

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