

# KIDS VS PRODUCT SUMMARIES - MOVING AWAY FROM PRIIPS IN THE UK

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**Weil**

## 1. INTRODUCTION

- a. The Consumer Composite Investments (Designated Activities) Regulations 2024 ('**the Regulation**') were published in November 2024. Following the Financial Services and Markets Act 2023 (FSMA 2023) repealing specific assimilated law, the Regulation will replace the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation. The Regulation will create a new framework to regulate consumer composite investments and gave the Financial Conduct Authority (FCA) powers to make rules relating to the new framework. The PRIIPs rules relating to key information documents (KIDs) will be replaced with new rules on a retail disclosure regime, which the FCA consulted on. Two papers, CP24/30 and CP25/9, were issued on the proposed new product information framework which will require a product summary to be produced.
- b. Consumer Composite Investment (CCI) are 'an investment where the returns are dependent on the performance of or changes in the value of indirect investments'. CCIs are products which, when distributed to a retail investor, require a product summary to be available. Products under the PRIIPs regime, UCITS funds and overseas funds within the Overseas Funds Regime (OFR) fall in scope of CCIs.

## 2. THE PROPOSED CHANGES

- a. The summary table shows the proposed changes to the PRIIPs regime that the new product information framework will make. The details below have been consolidated from both the FCA consultations (**CP24/30** and **CP25/9**).

- To change the way product information is presented
- Allow firms flexibility on designing product information
- To move away from the rigid PRIIPs KID template format
- Only use standardised information (i.e. on costs) so consumers can compare products
- To enable investors to receive information as early as possible in an investor's 'investment journey'
- When a sale is made to give a customer the product summary in a durable medium
- The manufacturer would prepare a product summary
  - product summary would contain basic information on a CCI and standardised information on a CCI
  - standardised information would be on a CCI's costs and charges, risk and performance (see below)

## Key Information Document vs. Product Summary under CCI - what are the differences in actual content?

UK PRIIPs KID	CCI Product Summary
<b>Cost Information</b>	
<p><i>Type of costs</i></p> <ul style="list-style-type: none"> <li>■ Direct and indirect costs</li> <li>■ One-off costs (entry or exist costs)</li> <li>■ Recurring and incidental costs (performance fees and carried interest)</li> </ul> <p><i>How costs are presented:</i></p> <ul style="list-style-type: none"> <li>■ template and narrative requirements set by legislation</li> <li>■ <i>Total costs over time:</i> <ul style="list-style-type: none"> <li>■ presented in a reduction in yield table</li> </ul> </li> <li>■ <i>Composition of costs:</i> <ul style="list-style-type: none"> <li>■ information on different costs on an investment return</li> <li>■ presented over different holding periods</li> <li>■ displayed as a single number in a percentage</li> </ul> </li> </ul>	<p><i>Type of costs</i></p> <p>(Roughly) no change to type such as:</p> <ul style="list-style-type: none"> <li>■ Direct and indirect costs</li> <li>■ One-off fees</li> <li>■ Ongoing and transactional costs</li> <li>■ Performance fees</li> <li>■ Carried interest</li> </ul> <p>Standardised rules for metrics to calculate and present information</p> <p><i>How to calculate:</i></p> <ul style="list-style-type: none"> <li>■ to use a prescriptive methodology to calculate costs</li> <li>■ applies only to product costs</li> </ul> <p><i>How to present:</i></p> <ul style="list-style-type: none"> <li>■ provide a summary costs illustration that shows product costs over a single holding period</li> <li>■ display as a percentage and monetary figure over a 12 month period <ul style="list-style-type: none"> <li>■ which would not include performance fees or carried interest</li> </ul> </li> <li>■ summary costs would consist of entry / exit costs, ongoing and transaction costs</li> </ul> <p><i>Costs to be disclosed separately:</i></p> <ul style="list-style-type: none"> <li>■ one-off costs (entry and exit)</li> <li>■ performance fees and carried interests <ul style="list-style-type: none"> <li>■ provide narrative and examples: performance fees and carried interest</li> </ul> </li> <li>■ transaction costs <ul style="list-style-type: none"> <li>■ calculate and disclose explicit transaction costs</li> <li>■ show separately to ongoing costs and include in summary cost figure</li> <li>■ Implicit costs: not required to be calculated or disclosed</li> </ul> </li> </ul>

UK PRIIPs KID	CCI Product Summary
<b>Risk Information</b>	
<ul style="list-style-type: none"> <li>■ Uses summary risk indicator (SRI)</li> <li>■ Presented on a 1-7 scale</li> <li>■ Information on risk and performance are separate</li> </ul>	<ul style="list-style-type: none"> <li>■ To keep standardised risk and reward metric – focus on volatility, measured on standard deviation of return</li> <li>■ Move to 1 to 10 scale</li> <li>■ To provide combined risk score description (risk and reward)</li> <li>■ Option to change risk score based on product and risk</li> </ul>
<b>Past performance</b>	
<ul style="list-style-type: none"> <li>■ Uses prescribed templates and narratives</li> <li>■ Provides explanation of factors affecting performance scenarios and impact on return</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide performance data for all products in standard graph over a 10 year period (provided data is available)</li> <li>■ Statement on performance data should explain use of benchmark (if used)</li> </ul>

### IMPLICATIONS FOR MANAGERS – COMMERCIAL

- Managers will need to ensure their distribution chains, and distribution agreements, are refreshed to reflect changes in roles between managers and distributors.
- Managers should be prepared for the need to invest the time and resources to put in place the required processes and systems to produce the product summaries (which could be more time consuming than KIDs) and keep an eye on transition periods (set out below).

### IMPLICATIONS FOR MANAGERS – REGULATORY

- Check whether you are offering in scope products; conduct gap analysis on an KIDs versus the new product summary requirements.
- Consider how you will inform affected investors.
- Keep an eye out for further consultations and regulatory technical specifications.

## 3. NEXT STEPS

- The consultation periods for CP24/30 and CP25/9 are closed. The FCA will consider feedback from both the consultations and expects to issue a single policy statement and final rules later in 2025. After the policy statement and final rules are published firms would be expected to follow the CCI regime 12 or 18 months after publication, depending on the type of product.

# FOR MORE INFORMATION

If you would like more information about the topic raised in this briefing, please speak to your regular contact at Weil or to the authors listed below.



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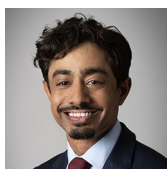
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