Draft Regulations laid before Parliament under sections 71S(2) and 429(9) of the Financial Services and Markets Act 2000 and sections 83(3) and 84(5) of the Financial Services and Markets Act 2023, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2024 No.

FINANCIAL SERVICES AND MARKETS

The Consumer Composite Investments (Designated Activities) Regulations 2024

Made - - - - ***

Coming into force in accordance with regulation 2

The Treasury make the following Regulations in exercise of the powers conferred by sections 71K, 71M, 71N(2) and (5), 71O(2), (10) and (11), 71P, 71Q, 71R and 428(3) of the Financial Services and Markets Act 2000(**a**) and section 83(1) of the Financial Services and Markets Act 2023(**b**).

In accordance with sections 71S(2) and 429(9) of the Financial Services and Markets Act 2000(**c**) and sections 83(3) and 84(5) of the Financial Services and Markets Act 2023, a draft of this instrument has been laid before, and approved by resolution of, each House of Parliament(**d**).

PART 1

Introductory

Citation and extent

1.—(1) These Regulations may be cited as the Consumer Composite Investments (Designated Activities) Regulations 2024.

(2) These Regulations extend to England and Wales, Scotland and Northern Ireland.

Commencement

2.—(1) The following provisions come into force on the day after that on which these Regulations are made—

(a) this Part,

(b) Part 2 (designated activities and FCA powers), and

(**a**) 2000 c. 8. Sections 71K and 71M to 71R were inserted by section 8(2) of the Financial Services and Markets Act 2023 (c. 29). Section 428(3) was amended by section 66(3)(a) of that Act.
(**b**) 2023 c. 29.
(**c**) Section 71S was inserted by section 8(2) of the Financial Services and Markets Act 2023.
(**d**) For the meaning of "the affirmative procedure", see section 84(3) of the Financial Services and Markets Act 2023 (c. 29).

(c) the remaining provisions, for the purposes only of enabling the FCA to—

(i) make rules,

(ii) give directions or guidance, or

(iii) issue statements of policy.

(2) So far as not already in force by virtue of paragraph (1), these Regulations come into force on the day on which the revocation of the PRIIPs Regulation(**a**) by section 1(1) of, and Schedule 1 to, the Financial Services and Markets Act 2023 comes into force ("main commencement day").

Interpretation

3.—(1) In these Regulations—

"2017 Regulations" means the Packaged Retail and Insurance-based Investment Products Regulations 2017(**b**);

"buying" includes acquiring for valuable consideration;

"consumer composite investment" has the meaning given in regulation 4;

"FSMA 2000" means the Financial Services and Markets Act 2000;

"main commencement day" has the meaning given in regulation 2(2);

"markets in financial instruments regulation" means Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012(**c**);

"PRIIPs Regulation" means 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(**d**);

"retail investor" means a person, other than a professional client (as defined in Article 2(1)(8) of the markets in financial instruments regulation(**e**)), who is using, or is or may be contemplating using, any of the services provided by a person in the course of carrying on an activity specified in regulation 5.

(2) In these Regulations, references to rules made by the FCA are to those rules as they have effect from time to time.

"Consumer composite investment"

4.—(1) Subject to paragraph (2), "consumer composite investment" means—

(a) an investment,

(b) a contract of insurance, or

(c) any right to or interest in anything listed in sub-paragraphs (a) or (b),

where the value or amount payable to the investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the investor.

(2) The following are excluded from the definition of consumer composite investment—

(a) a contract of long-term insurance where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;

(b) deposits other than structured deposits (as defined in Article 2(1)(23) of the markets in financial instruments regulation(**f**));

(**a**) For the meaning of "PRIIPs Regulation" see regulation 3(1).
(**b**) S.I. 2017/1127.
(**c**) EUR 2014/600.
(**d**) EUR 2014/1286.
(**e**) The definition of "retail investor" was substituted by S.I. 2018/1403.
(**f**) The definition of "structured deposit" was substituted by S.I. 2018/1403.

(c) non-equity transferable securities issued by—

(i) the government of any country or territory,

(ii) a local or regional authority of any country or territory,

(iii) any public international body of which the United Kingdom or any other State is a member, or

(iv) the European Central Bank or the central bank of any State;

(d) non-equity transferable securities issued in at least two separate issues of a similar type or class over a 12-month period by credit institutions provided that these securities—

(i) are not subordinated, convertible or exchangeable,

(ii) do not give a right to subscribe for or acquire other types of securities,

(iii) are not linked to a derivative instrument,

(iv) materialise reception of repayable deposits, and

(v) are covered by the compensation scheme (within the meaning of section 213(2) of FSMA 2000(**a**)) or by a similar scheme in a country or territory outside the United Kingdom;

(e) non-equity transferable securities issued in at least two separate issues of a similar type or class over a 12-month period by credit institutions where the total consideration for the offers within that period in the United Kingdom is less than £64 million, or an equivalent amount, provided that those securities—

(i) are not subordinated, convertible or exchangeable,

(ii) do not give a right to subscribe for or acquire other types of securities, and

(iii) are not linked to a derivative instrument;

(f) non-fungible shares of capital whose main purpose is to provide the holder with a right to occupy any immovable property or a part thereof and where the shares cannot be sold without this right being given up;

(g) occupational pension schemes;

(h) personal pension schemes;

(i) shares in the capital of any central bank;

(j) debt securities specified by the FCA in designated activity rules(**b**) made by virtue of regulation 6;

(k) stakeholder pension schemes;

(l) transferable securities unconditionally and irrevocably guaranteed by the government or a local or regional authority of any country or territory;

(m) transferable securities issued by associations with legal status or non-profit-making bodies recognised by any country or territory with a view to their obtaining the funds necessary to achieve their non-profit-making objectives.

(3) In this regulation—

(a) "contract of insurance", "contract of long-term insurance", "occupational pension scheme", "personal pension scheme" and "stakeholder pension scheme" have the meanings given in article 3 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001(**c**);

(b) "credit institution" has the meaning given in section 417 of FSMA 2000(**d**);

(**a**) Section 213(2) was amended by paragraph 3(5) of Schedule 10 to the Financial Services Act 2012 (c. 21).

(**b**) For the meaning of "designated activity rules", see section 71L(3) of the Financial Services and Markets Act 2000.

(**c**) S.I. 2001/544. Relevant amendments were made to the definition of "contract of insurance" by S.I. 2015/575, 2019/632 and 2021/90. Relevant amendments were made to the definition of "stakeholder pension scheme" by S.I. 2005/593. The definitions of "occupational pension scheme" and "personal pension scheme" were substituted and inserted respectively by S.I. 2006/1969.

(**d**) The definition of "credit institution" was inserted by S.I. 2019/632.

(c) "debt securities", "non-equity transferable securities", "securities" and "transferable securities" have the meanings given in section 102A of FSMA 2000(**a**);

(d) "deposit" has the meaning given in Article 2(1)(23A) of the markets in financial instruments regulation(**b**);

(e) "equivalent amount" means an amount of equal value denominated wholly or partly in another currency or unit of account which is to be calculated by reference to the exchange rates prevailing at the time of issue.

PART 2

Designated Activities and FCA Powers

Activities specified as designated activities for the purposes of FSMA 2000

5.—(1) The following activities are specified under section 71K of FSMA 2000 as designated activities for the purposes of that Act—

(a) manufacturing a consumer composite investment which is, or is proposed to be, made available to a retail investor located in the United Kingdom;

(b) advising on a consumer composite investment if the advice is given to—

(i) a retail investor located in the United Kingdom, or

(ii) an agent for that investor;

(c) offering a consumer composite investment to a retail investor located in the United Kingdom;

(d) selling a consumer composite investment to a retail investor located in the United Kingdom.

(2) In this regulation—

(a) "advising on a consumer composite investment" means giving advice on the merits of—

(i) buying, selling, subscribing for, exchanging, holding or redeeming a consumer composite investment,

(ii) exercising, or not exercising, any right conferred by a consumer composite investment to buy, sell, subscribe for, exchange or redeem a consumer composite investment, or

(iii) entering into an agreement relating to a consumer composite investment;

(b) "made available" has the meaning given in designated activity rules made by virtue of regulation 6;

(c) "manufacturing a consumer composite investment" means—

(i) creating, developing, designing, issuing, managing, operating or carrying out a consumer composite investment, or

(ii) making changes to a term, condition or feature of a consumer composite investment;

(d) "offering a consumer composite investment" means communicating sufficient information on—

(i) the consumer composite investment, and

(ii) the terms on which it is offered,

to enable a person to decide to buy, subscribe for or enter into an agreement relating to the consumer composite investment;

(**a**) The definition of "transferable securities" was amended by S.I. 2017/701 and 2019/707. The definitions of "debt securities" and "non-equity transferable securities" were inserted and substituted respectively by S.I. 2019/707.

(**b**) The definition of "deposit" was inserted by S.I. 2018/1403.

(e) "selling a consumer composite investment" includes disposing of the consumer composite investment for valuable consideration, and for these purposes "disposing" includes—

(i) in the case of a consumer composite investment consisting of rights under a contract—

(aa) surrendering, assigning or converting those rights, or

(bb) assuming the corresponding liabilities under the contract,

(ii) in the case of a consumer composite investment consisting of rights under other arrangements, assuming the corresponding liabilities under the arrangements, and

(iii) in the case of any other consumer composite investment, granting the rights or interests of which it consists.

FCA rules

6.—(1) The FCA may make designated activity rules relating to the activities specified in regulation 5.

(2) The FCA may by notice suspend any rules made by virtue of paragraph (1) for such period as it considers appropriate.

(3) Rules made by virtue of paragraph (1) may include provision enabling requirements imposed by the rules to be dispensed with, or modified, in such cases or circumstances as may be determined by the FCA under the rules.

(4) The FCA may publish any decision made by virtue of paragraph (3) in the way appearing to the FCA to be best calculated to bring it to the attention of persons likely to be affected by it.

Power of the FCA to give directions

7.—(1) The FCA may give a direction under section 71O of FSMA 2000(**a**) imposing on a person or a description of persons such requirements as the FCA considers appropriate in relation to the carrying on of an activity specified in regulation 5.

(2) In the following provisions of this regulation "a direction" means a direction given under section 71O of FSMA 2000 by virtue of paragraph (1).

(3) The FCA may give a direction only if it appears to the FCA—

(a) in the case of a direction given to a person, that in carrying on the activity the person is failing, or is likely to fail, to comply with a requirement imposed on the person by designated activity rules made by virtue of regulation 6, or

(b) in the case of a direction given to a person or a description of persons, that it is desirable to exercise the power for the purposes of advancing any of the FCA's operational objectives set out in section 1B(3) of FSMA 2000.

(4) Before giving, varying or revoking a direction, where the exercise of the power relates to a PRA-authorised person (as defined in section 2B(5) of FSMA 2000(**b**)), the FCA must consult the PRA.

Temporary exemptions

8.—(1) Before 1 January 2027, designated activity rules made by virtue of regulation 6 do not apply to a person listed in paragraph (2) where the conditions in paragraph (3) are met.

(2) The persons referred to in paragraph (1) are—

(a) for UK UCITS—

(**a**) Section 71O was inserted by section 8(2) of the Financial Services and Markets Act 2023.
(**b**) Section 2B was substituted by section 6(1) of the Financial Services Act 2012 (c. 21).

(i) the management company (as defined in section 237(2) of FSMA 2000(**a**)) of a UK UCITS;

(ii) an authorised open-ended investment company which is a UK UCITS;

(iii) a person advising on a UK UCITS where the advice is given to—

(aa) a retail investor located in the United Kingdom, or

(bb) an agent for that investor;

(iv) a person offering or selling units of a UK UCITS to a retail investor located in the United Kingdom;

(b) for EEA UCITS—

(i) the management company (as defined in point (b) of Article 2(1) of the UCITS Directive) of an EEA UCITS;

(ii) an investment company referred to in Article 27 of the UCITS Directive (conditions for an investment company);

(iii) a person advising on an EEA UCITS where the advice is given to—

(aa) a retail investor located in the United Kingdom, or

(bb) an agent for that investor;

(iv) a person offering or selling units of an EEA UCITS to a retail investor located in the United Kingdom;

(c) for non-UCITS retail schemes—

(i) the operator or authorised corporate director of a non-UCITS retail scheme;

(ii) an authorised open-ended investment company which is a non-UCITS retail scheme;

(iii) a person advising on a non-UCITS retail scheme where the advice is given to—

(aa) a retail investor located in the United Kingdom, or

(bb) an agent for that investor;

(iv) a person offering or selling units of a non-UCITS retail scheme to a retail investor located in the United Kingdom.

(3) The conditions referred to in paragraph (1) are—

(a) for UK UCITS, that the operator complies with:

(i) rules made by the FCA, to the extent they apply to key investor information provided by, or in relation to, a UK UCITS, and

(ii) the KII regulation;

(b) for EEA UCITS recognised by virtue of regulation 62 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 (temporary recognition for EEA UCITS or sub-fund of EEA UCITS)(**b**), that the operator complies with the duties imposed by regulation 66 of those Regulations;

(c) for EEA UCITS recognised under section 271A or 272 of FSMA 2000 (recognised collective investment schemes)(**c**), that the operator complies with duties corresponding to those that, if the United Kingdom were a UCITS host Member State for the purposes of the UCITS Directive, would be imposed on the operator in accordance with Article 94 of that Directive, to the extent it applies to key investor information (referred to in Article 78 of that Directive);

(d) for non-UCITS retail schemes, the operator complies with:

(**a**) The definition of "management company" was substituted by S.I. 2019/325.

(**b**) S.I. 2019/325. Regulation 62 was amended by paragraph 14 of Schedule 9 to the Financial Services Act 2021 (c. 22) and S.I. 2020/56.

(**c**) Section 271A was inserted by paragraph 1 of Schedule 9 to the Financial Services Act 2021 (c. 22). Section 272 was amended by paragraph 9(2)(f) of Schedule 18 to the Financial Services Act 2012 (c. 21), section 25(3) of the Financial Services Act 2021 (c. 22) and S.I. 2013/1388, 2013/1773 and 2019/325.

(i) rules made by the FCA, to the extent they apply to key investor information provided by, or in relation to, a non-UCITS retail scheme, and

(ii) where applicable, the KII regulation.

(4) In this regulation—

(a) "advising on", in relation to a unit of a UK UCITS, EEA UCITS or non-UCITS retail scheme, means giving advice on the merits of—

(i) buying, selling, subscribing for, exchanging, holding or redeeming a unit of a UK UCITS, EEA UCITS or non-UCITS retail scheme,

(ii) exercising, or not exercising, any right conferred by such an investment to buy, sell, subscribe for, exchange or redeem a unit of a UK UCITS, EEA UCITS or non-UCITS retail scheme, or

(iii) entering into an agreement relating to a UK UCITS, EEA UCITS or non-UCITS retail scheme;

(b) "authorised corporate director" means a person who meets the requirements set out in regulation 15(6) of the Open-Ended Investment Companies Regulations 2001 (requirements for a sole director)(**a**));

(c) "key investor information" (other than in paragraph (3)(c)), "long-term asset fund" and "qualified investor scheme" have the meaning given by the Glossary forming part of the Handbook made by the Financial Conduct Authority under FSMA 2000 (as that Handbook has effect from time to time);

(d) "KII regulation" means Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website(**b**);

(e) "non-UCITS retail scheme" means an authorised fund which is not a UK UCITS, a qualified investor scheme or a long-term asset fund, and for these purposes "authorised fund" means—

(i) an authorised unit trust scheme,

(ii) an authorised contractual scheme, or

(iii) an authorised open-ended investment company;

(f) "an authorised unit trust scheme", "an authorised contractual scheme", "an authorised open-ended investment company", "EEA UCITS" (but see sub-paragraph (k)), "the operator", "sub-fund", "UK UCITS" and "units" have the meanings given in section 237 of FSMA 2000 (other definitions)(**c**);

(g) "offering", in relation to a unit of a UK UCITS, EEA UCITS or non-UCITS retail scheme, means communicating sufficient information on—

(i) the unit, and

(ii) the terms on which it is offered,

to enable a person to decide to buy, subscribe for or enter into an agreement relating to, the unit;

(h) "selling", in relation to a unit of a UK UCITS, EEA UCITS or non-UCITS retail scheme, includes disposing of the unit for valuable consideration, and for these purposes "disposing" includes—

(**a**) S.I. 2001/1228. Paragraph (6) was substituted by S.I. 2013/1773 and amended by S.I. 2019/325.

(**b**) EUR 2010/583.

(**c**) The definition of "the operator" was substituted by S.I. 2011/1613 and relevant amendments were made by paragraph 5 of Schedule 9 to the Financial Services Act 2021 (c.22) and S.I. 2013/1388, and 2019/325. The definition of "an authorised contractual scheme" was inserted by S.I. 2013/1388. The definition of UK UCITS was inserted by S.I. 2011/1613 and amended by S.I. 2013/1388. The definition of "EEA UCITS" was inserted by S.I. 2019/325. Section 237(4), which deals with the meaning of "sub-fund", was inserted by S.I. 2011/1613.

(i) in the case of a unit consisting of rights under a contract—

(aa) surrendering, assigning or converting those rights, or

(bb) assuming the corresponding liabilities under the contract,

(ii) in the case of a unit consisting of rights under other arrangements, assuming the corresponding liabilities under the arrangements, and

(iii) in the case of any other unit, granting the rights or interests of which it consists;

(i) "UCITS Directive" means Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as it had effect immediately before IP completion day(**a**);

(j) Article 94 of the UCITS Directive is to be read as if—

(i) references to the UCITS host Member State or such Member State were references to the United Kingdom, and

(ii) references to the competent authority of the UCITS host Member State were references to the FCA;

(k) references to an EEA UCITS include a reference to a sub-fund of an EEA UCITS;

(l) in paragraph (3), references to rules made by the FCA exclude designated activity rules made by virtue of regulation 6.

PART 3

Civil Liability

Civil liability for breaches of designated activity rules

9.—(1) A contravention of a designated activity rule made by virtue of regulation 6 is actionable at the suit of a retail investor who suffers loss as a result of the contravention, subject to the defences and other incidents applying to actions for breach of statutory duty.

(2) If designated activity rules made by virtue of regulation 6 so provide, paragraph (1) does not apply to a contravention of a specified provision of the rules.

PART 4

Application with modifications of FSMA 2000 etc and consequential amendments

Application with modifications of provisions of FSMA 2000 and amendments of secondary legislation

10. In Schedule 1—

(a) Part 1 applies provisions of FSMA 2000 to these Regulations with modifications, and

(b) Part 2 contains amendments of secondary legislation.

Consequential amendments

11. In Schedule 2—

(a) Part 1 contains an amendment of FSMA 2000,

(b) Part 2 contains amendments of secondary legislation, and

(**a**) OJ L 302 17.11.2009, p. 32.

(c) Part 3 contains amendments of assimilated direct legislation.

Name
Name
Date Two of the Lords Commissioners of His Majesty's Treasury

SCHEDULE 1

Regulation 10

Application with modifications of provisions of FSMA 2000 and amendments of secondary legislation

PART 1

Application with modifications of provisions of FSMA 2000

Temporary CCI intervention rules

1. Sections 138M to 138O of FSMA 2000 (temporary product intervention rules)(**a**) apply to rules made by virtue of regulation 6 as they apply to product intervention rules made under section 137D of FSMA 2000 as if—

(a) each reference to product intervention rules were a reference to rules made by virtue of regulation 6 of these Regulations;

(b) in section 138M(1), for the words "advancing" to the end there were substituted "advancing the consumer protection objective";

(c) in section 138O(1), the reference to section 138N were a reference to section 138N as applied by these Regulations.

Restitution

2. Section 384 of FSMA 2000 (power of FCA or PRA to require restitution)(**b**) applies in respect of contraventions of a requirement imposed by virtue of regulation 6 of these Regulations and persons knowingly concerned in the contravention of such a requirement as if, in subsection (1), reference to an authorised person or recognised investment exchange included persons subject to designated activity rules made by virtue of regulation 6 of these Regulations.

PART 2

Amendments of secondary legislation

The Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001

3. In the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001(**c**), omit article 31 (communications required by the PRIIPs regulation: key information document).

(**a**) Sections 138M to 138O were substituted by section 24(1) of the Financial Services Act 2012 (c. 21).
(**b**) Relevant amendments were made by paragraphs 23(2)(a), (b), 23(4)(a), (b) and 23(5) of Schedule 9 to the Financial Services Act 2012 and S.I. 2016/680. There are other amendments which are not relevant.
(**c**) S.I. 2001/1060. Article 31 was inserted by S.I. 2017/1127.

The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005

4. In the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005(**a**), omit article 20C (communications required by the PRIIPs Regulation: key information document).

SCHEDULE 2

Regulation 11

Consequential amendments

PART 1

Amendment of FSMA 2000

1. In section 391 (publication) of FSMA 2000 omit subsection (8D)(**b**).

PART 2

Amendments of secondary legislation

The Financial Services and Markets Act 2000 (Qualifying Provisions) Order 2013

2.—(1) The Financial Services and Markets Act 2000 (Qualifying Provisions) Order 2013(**c**) is amended as follows.

(2) In article 1 (citation, commencement and interpretation)—

(a) in paragraph (2), omit the definition of "PRIIPs regulation";

(b) in paragraph (5A), omit "the PRIIPs regulation,";

(3) In article 2 (qualifying provisions: general), in paragraph (2), omit sub-paragraph (k);

(4) In article 3 (qualifying provisions: disciplinary measures)—

(a) in paragraph (2), omit sub-paragraph (m);

(b) in paragraph (3), omit sub-paragraph (k);

(5) In article 5 (qualifying provisions: injunctions and restitution)—

(a) in paragraph (2), omit sub-paragraph (m);

(b) in paragraph (5), omit sub-paragraph (l);

(6) In article 6 (qualifying provisions: fees), in paragraph (2), omit sub-paragraph (o).

The Payment to Treasury of Penalties (Enforcement Costs) Order 2013

3. In article 2(1) of the Payment to Treasury of Penalties (Enforcement Costs) Order 2013(**d**), omit sub-paragraph (n).

The Financial Services Act 2012 (Relevant Functions in relation to Complaints Scheme) Order 2014

4. In article 2 of the Financial Services Act 2012 (Relevant Functions in relation to Complaints Scheme) Order 2014 (relevant functions of the FCA)(**a**), omit paragraph (g).

(**a**) S.I. 2005/1529. Article 20C was inserted by S.I. 2017/1127.
(**b**) Subsection (8D) was inserted by S.I. 2017/1127.
(**c**) S.I. 2013/419. Relevant insertions were made by S.I. 2017/1127 and S.I. 2022/1252.
(**d**) S.I. 2013/418. Sub-paragraph (n) was inserted by S.I. 2017/1127.

The Public Interest Disclosure (Prescribed Persons) Order 2014

5. In the Schedule to the Public Interest Disclosure (Prescribed Persons) Order 2014 (persons and descriptions of persons specified as prescribed for the purposes of section 43F of the Employment Rights Act 1996)(**b**), in the entry relating to the Financial Conduct Authority, in the second column, for paragraph (n) substitute—

> "(n) the conduct of persons subject to designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024;".

The Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018

6. In the Schedule to the Financial Regulators' Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (EU Regulations for which the FCA is the appropriate regulator)(**c**), omit paragraph 65, including the heading immediately before that paragraph.

The EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018

7. In regulation 59 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 (product intervention rules)(**d**) omit paragraph (3).

The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019

8.—(1) Regulation 66 of the Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2019 (other duties of operator)(**e**) is amended as follows.

(2) In paragraph (1), at the beginning, for "The" substitute "Subject to paragraph (1A), the", and

(3) After paragraph (1) insert—

> "(1A) The requirements imposed by paragraph (1) do not apply to the operator of a stand-alone scheme or sub-fund that is a recognised scheme by virtue of regulation 62 who complies with requirements imposed by designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024.".

The Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019

9. In regulation 11(5) of the Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019 (saving for certain financial services legislation relating to Gibraltar)(**f**), omit sub-paragraph (w).

The Electronic Commerce and Solvency 2 (Amendment etc.) (EU Exit) Regulations 2019

10. In regulation 19 of the Electronic Commerce and Solvency 2 (Amendment etc.) (EU Exit) Regulations 2019 (product intervention rules)(**g**) omit paragraph (3).

(**a**) S.I. 2014/1195. Paragraph (g) inserted by S.I. 2017/1127.
(**b**) S.I. 2014/2418. Paragraph (n) inserted by S.I. 2017/1127.
(**c**) S.I. 2018/1115.
(**d**) S.I. 2018/1149. Regulation 59 was inserted by S.I. 2019/405.
(**e**) S.I. 2019/325.
(**f**) S.I. 2019/680. Relevant amendments were made by S.I. 2020/1301 and 2022/1223.
(**g**) S.I. 2019/1361.

PART 3

Amendments of assimilated direct legislation

Regulation (EU) 2017/1129

11. In Article 7(5) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the prospectus summary: introduction)(**a**), for point (f) substitute—

"(f) where applicable, a comprehension alert which must read 'You are about to purchase a product that is not simple and may be difficult to understand.'".

Commission Delegated Regulation (EU) 2019/979

12. In Article 14(1) of Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 (required content of advertisements to potential retail investors)(**b**), in point (d), for the opening words substitute "a comprehension alert which must read 'You are about to purchase a product that is not simple and may be difficult to understand.' where:".

Commission Delegated Regulation (EU) 2019/980

13.—(1) Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004(**c**) is amended as follows.

(2) In Article 33 (specific summary for the UK Growth prospectus)—

(a) for paragraph 9, substitute—

"**9.** Where securities are also subject to designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024, the competent authority may require the SMEs, the issuers and offerors referred to in Article 15(1) of Regulation (EU) 2017/1129 to substitute the information referred to in section 3 of Annex 23 to this Regulation with the following information—

(a) under the section titled 'What is this product?', the nature and main features of the product, including—

(i) the type of product;

(ii) its objectives and the means for achieving them, in particular whether the objectives are achieved by means of direct or indirect exposure to the underlying investment assets, including—

(aa) a description of the underlying instruments or reference values,

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(**a**) EUR 2017/1129. Article 7 was amended by S.I. 2019/1234.

(**b**) EUR 2019/979. Relevant amendments were made by the Technical Standards (Prospectus Regulation) (EU Exit) Instrument 2020/50 (Financial Conduct Authority). A copy of this instrument is available at https://www.handbook.fca.org.uk/instrument/2020/FCA_2020_50.pdf and may be obtained from the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

(**c**) EUR 2019/980. Relevant amendments were made by S.I. 2019/1234. There are other amendments which are not relevant.

(bb) a specification of the markets the product invests in,

(cc) where applicable, specific environmental or social objectives targeted by the product,

(dd) how the return is determined;

(iii) a description of the type of investor to whom the product is intended to be marketed, in particular in terms of the ability to bear investment loss and the investment horizon;

(iv) where the product offers insurance benefits, details of those insurance benefits, including the circumstances that would trigger them;

(v) the term of the product, if known;

(b) under the section titled 'What are the risks and what could I get in return?', a brief description of the risk-reward profile comprising the following elements—

(i) a summary risk indicator, supplemented by a narrative explanation of that indicator, its main limitations and a narrative explanation of the risks which are materially relevant to the product and which are not adequately captured by the summary risk indicator;

(ii) the possible maximum loss of invested capital, including information on—

(aa) whether the investor can lose all invested capital;

(bb) whether the investor bears the risk of incurring additional financial commitments or obligations, including contingent liabilities in addition to the capital invested in the product;

(cc) where applicable, whether the product includes capital protection against market risk, and the details of its cover and limitations, in particular with respect to the timing of when it applies;

(iii) appropriate information on performance;

(iv) where applicable, information on conditions for returns to investors or built-in performance caps;

(v) a statement that the tax legislation of the United Kingdom may have an impact on the actual payout;

(c) under the section titled 'What happens if [the name of the issuer] is unable to pay out?', a brief description of whether the related loss is covered by an investor compensation or guarantee scheme and if so, which scheme it is, the name of the guarantor and which risks are covered by the scheme and which are not;

(d) under the section titled 'What are the costs?', the costs associated with an investment in the product, comprising—

(aa) both direct and indirect costs to be borne by the investor, including one-off and recurring costs, presented by means of summary indicators of these costs and, to ensure comparability, total aggregate costs expressed in monetary and percentage terms, to show the compound effects of the total costs on the investment;

(bb) a clear indication that advisors, distributors or any other person advising on, or selling, the product will provide information detailing any cost of distribution that is not already included in the costs specified in paragraph (aa), so as to enable the investor to understand the cumulative effect that these aggregate costs have on the return of the investment;

(e) under the section titled 'How long should I hold it and can I take money out early?'—

(i) where applicable, whether there is a cooling off period or cancellation period for the product;

(ii) an indication of the recommended and, where applicable, required minimum holding period;

(iii) the ability to make, and the conditions for, any disinvestments before maturity, including all applicable fees and penalties, having regard to the risk and reward profile of the product and the market evolution it targets;

(iv) information about the potential consequences of cashing in before the end of the term or recommended holding period, such as the loss of capital protection or additional contingent fees;

(f) under the section titled 'How can I complain?', information about how and to whom an investor can make a complaint about the product or the conduct of the issuer or a person advising on, or selling, the product;

(g) under the section titled 'Other relevant information', a brief indication of any additional information documents to be provided to the investor at the pre-contractual or the post-contractual stage, excluding any marketing material.";

(b) in paragraph 10, for the words "points (c)" to the end, substitute "points (a) to (g) of paragraph 9";

(c) for paragraph 11, substitute—

"**11.** Where the information set out in points (a) to (g) of paragraph 9 is substituted for the information in section 3 of Annex 23 to this Regulation pursuant to paragraphs 9 or 10, the information shall be included as a distinct section of the specific summary and that section shall clearly be identified as including the information set out in points (a) to (g) of paragraph 9.";

(3) In Annex 14 (securities note for retail non-equity securities)—

(a) in item 5.3.1, in point (c), for the words from "Regulation (EU) No 1286/2014" to "Directive 2014/65/EU" substitute "designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024";

(b) in item 7.4, for the words from "points (c)" to "No 1286/2014" substitute "points (a) to (g) of Article 33(9) of this Regulation";

(4) In Annex 16 (securities note for secondary issuances of non-equity securities)—

(a) in item 5.3.1, in point (c), for the words from "Regulation (EU) No 1286/2014" to "Directive 2014/65/EU" substitute "designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024";

(b) in item 7.3.a, for the words from "points (c)" to "No 1286/2014" substitute "points (a) to (g) of Article 33(9) of this Regulation";

(5) In Annex 23 (specific summary for the UK growth prospectus), in item 1.5.1, for point (e) substitute—

"(e) where applicable, a comprehension alert which must read 'You are about to purchase a product that is not simple and may be difficult to understand.'";

(6) In Annex 27 (UK growth securities note for non-equity securities)—

(a) in item 1.8.4, for the words from "points (c)" to "No 1286/2014" substitute "points (a) to (g) of Article 33(9) of this Regulation";

(b) in item 4.4.3, for the words from "Regulation (EU) No 1286/2014" to "Directive 2014/65/EU" substitute "designated activity rules made under section 71N of the Financial Services and Markets Act 2000 by virtue of regulation 6 of the Consumer Composite Investments (Designated Activities) Regulations 2024".

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations designate activities in relation to consumer composite investments ("CCIs") for the purposes of the Financial Services and Markets Act 2000 (c. 8) ("FSMA 2000") (see Part 5A of FSMA 2000), replacing assimilated law revoked by section 1(1) of, and Schedule 1 to, the Financial Services and Markets Act 2023 (c. 29) relating to packaged retail and insurance-based investment products ("PRIIPs"). The legislation being replaced ("PRIIPs legislation") includes:

- the Packaged Retail and Insurance-based Investment Products Regulations 2017;
- 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 Regulation");
- Commission Delegated Regulation (EU) 2016/1904 of 14 July 2016 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council with regard to product intervention;
- 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.

CCIs, formerly PRIIPs, are investments and contracts of insurance (or any interest in an investment or contract of insurance) where the value or amount payable to the investor goes up or down because of exposure to reference values, which track the performance of a group of assets, or to the performance of one or more assets which are not directly purchased by the investor.

The activities designated by these Regulations are manufacturing CCIs made available to retail investors located in the United Kingdom, advising retail investors located in the United Kingdom, or their agent, on CCIs and offering or selling CCIs to retail investors located in the United Kingdom ("CCI activities").

The Regulations define CCIs (as above) and specify products which are excluded from this definition for the purposes of these Regulations. They also establish a temporary exclusion from designated activity rules made by the Financial Conduct Authority ("FCA") under section 71N of FSMA 2000 by virtue of regulation 6 ("CCI rules") for operators of UK and EEA undertakings for collective investment in transferable securities ("UCITS") and non-UCITS retail schemes.

The Regulations enable the FCA to make CCI rules and give directions in relation to the carrying on of CCI activities. They include the powers to make temporary CCI rules in certain circumstances. The Regulations apply and modify sections 138M to 138O of FSMA 2000 to establish the procedure for making temporary CCI rules, including exemptions from certain consultation requirements and a requirement for the FCA to issue a statement of its policy with respect to the making of temporary CCI rules.

The Regulations establish civil liability for breaches of CCI rules. The Regulations also apply section 384 of FSMA 2000 to contraventions of requirements imposed by CCI rules to empower the FCA to require restitution.

The Regulations remove the exemptions for persons advising on or selling PRIIPs from the financial promotion restriction (see section 21(1) of FSMA 2000) and the scheme promotion restriction (see section 238(1) of FSMA 2000) when providing the key information document, which contains information required by PRIIPs legislation, in accordance with Article 13 of the PRIIPs Regulation. This means that the provision of information required by CCI rules may constitute a financial promotion or scheme promotion.

The Regulations also make consequential amendments relating to the coming into force of these Regulations and the revocation of PRIIPs legislation, as well as transitional provision.

The FCA Handbook is available on www.handbook.fca.org.uk and copies of the rules, guidance or other instruments referred to can be obtained from the FCA, 12 Endeavour Square, London, E20 1JN, where they are also available for inspection.

A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen. A de minimis impact assessment of the effect of this instrument is available from HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ and is published with the Explanatory Memorandum alongside this instrument at www.legislation.gov.uk.

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