Draft Regulations laid before Parliament under section 3(10) of the Financial Services and Markets Act 2023 (c. 29), for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2024 No.

FINANCIAL SERVICES AND MARKETS

The Packaged Retail and Insurance-based Investment Products (Retail Disclosure) (Amendment) Regulations 2024

Made - - - - ***

Coming into force

The Treasury make these Regulations in exercise of the powers conferred by section 3 of the Financial Services and Markets Act 2023(**a**).

The Treasury have consulted the Financial Conduct Authority and Prudential Regulation Authority in accordance with section 3(6) of the Financial Services and Markets Act 2023.

A draft of these Regulations has been laid before and approved by a resolution of each House of Parliament in accordance with section 3(10) of the Financial Services and Markets Act 2023(**b**).

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Packaged Retail and Insurance-based Investment Products (Retail Disclosure) (Amendment) Regulations 2024.

(2) These Regulations come into force on the day after the day on which they are made.

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

Amendment of the PRIIPs Regulation

2.—(1) Article 2 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 (persons to whom the Regulation applies and products to which the Regulation does not apply)(**c**) is amended as follows.

(2) In paragraph 2 (products to which the Regulation does not apply), after point (g) insert—

"(h) shares in a closed-ended investment company that is UK-listed.".

(3) After paragraph 2 insert—

(**a**) 2023 c. 29.
(**b**) For the meaning of "the affirmative procedure", see section 84(3) of the Financial Services and Markets Act 2023 (c. 29).
(**c**) EUR 2014/1286, amended by S.I. 2019/403.

"3. For the purposes of paragraph 2(h)—

(a) "closed-ended investment company" means a company that meets conditions A to D;

(b) a closed-ended investment company is "UK-listed" if all of the company's ordinary shares (of each class if there is more than one) are admitted to trading on a UK regulated market or a UK multilateral trading facility.

4. Condition A is that all, or substantially all, of the business of the company is investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members of the company the benefit of the results of the management of its funds.

5. Condition B is that the company raises funds by offering, on one or more occasions, a fixed number of shares to the public.

6. Condition C is that the company's shareholders are not entitled to have their shares in the company redeemed or repurchased out of funds provided by the company.

7. Condition D is that the company is not a venture capital trust within the meaning of section 259(1) of the Income Tax Act 2007(**a**).

8. In paragraph 3, "UK regulated market" and "UK multilateral trading facility" have the meanings given in point (13A) and (14A) respectively of Article 2 of the markets in financial instruments regulation (definitions).".

Amendment of Commission Delegated Regulation (EU) 2017/565

3.—(1) Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive(**b**) is amended as follows.

(2) In Article 2 (definitions), after point (16C) insert—

"(16D) "closed-ended investment company that is UK-listed" is to be interpreted in accordance with Article 2(3) 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;".

(3) In Article 50 (information on costs and associated charges), in paragraph 2(b), after "instruments" insert ", except any costs of manufacturing and managing shares in a closed-ended investment company that is UK-listed".

(4) In Article 51 (information provided in relation to units in collective investment undertaking or PRIIPs)—

(a) the existing text becomes paragraph 1;

(b) after that paragraph insert—

"2. The requirements in paragraph 1 do not include any costs of manufacturing and managing shares in a closed-ended investment company that is UK-listed.".

(**a**) 2007 c. 3.
(**b**) EUR 2017/565; relevant amending instruments are S.I. 2018/1403 and 2021/1376.

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

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make transitional amendments to assimilated law repealed by section 1(1) of, and Schedule 1 to, the Financial Services and Markets Act 2023 (c. 29), subject to commencement, relating to packaged retail and insurance-based investment products. The legislation being amended is:

- Article 2 (products to which the Regulation does not apply) 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 Regulation"), and
- Articles 2 (definitions), 50 (information on costs and associated charges) and 51 (information provided in relation to units in collective investment undertaking or PRIIPs) of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive ("Commission Delegated Regulation (EU) 2017/565").

Regulation 2 adds closed-ended investment companies that are UK-listed to the list of products excluded from the PRIIPs Regulation and inserts an associated definition. A closed-ended investment company is a public limited company which invests pooled funds in assets seeking to spread investment risk and generate profits for its shareholders. A closed-ended investment company is UK-listed where its shares are admitted to trading on a UK regulated market or a UK multilateral trading facility. Closed-ended investment companies that are UK-listed will no longer be subject to the requirements of the PRIIPs Regulation. Manufacturers, advisors and sellers of shares in a closed-ended investment company that is UK-listed will no longer be required to produce the key information document.

Regulation 3 inserts the definition of a "closed-ended investment company that is UK-listed" into Commission Delegated Regulation (EU) 2017/565. It also excludes costs relating to a closed-ended investment company that is UK-listed from requirements on firms in Commission Delegated Regulation (EU) 2017/565 to aggregate costs disclosed to clients and to provide all other information on costs and charges. Closed-ended investment companies that are UK-listed, and firms investing in them, will no longer be required to aggregate, or otherwise report, the cost of manufacturing or managing shares in closed-ended investment companies that are UK-listed in this way.

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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£5.78

http://www.legislation.gov.uk/id/ukdsi/2024/9780348263961

ISBN 978-0-34-826396-1

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