Consumer Composite Investments (CCI)

What is a PRIIP?

SI: *"**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.*

Key Aims

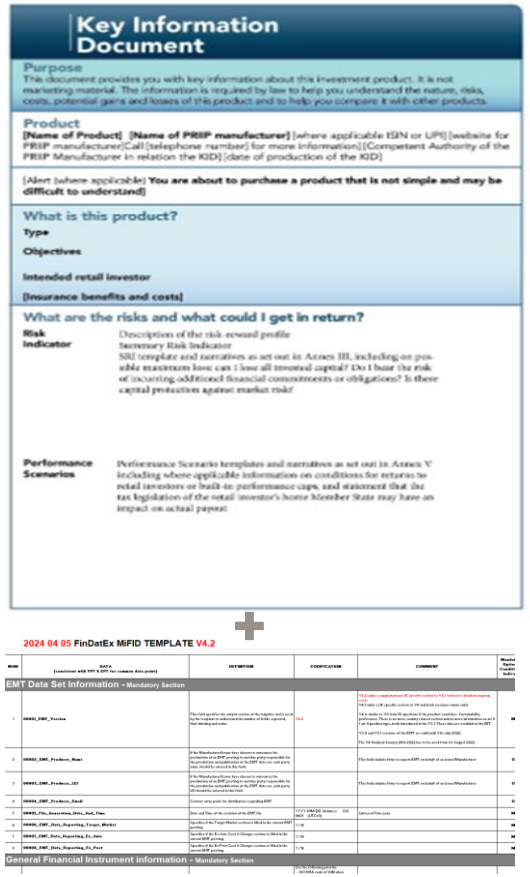
1. Compatibility of products for retail investors
2. Greater flexibility and alignment with Consumer Duty
3. Greater obligations on distributors and unauthorised firms

Manufacturer vs Distributor responsibilities?

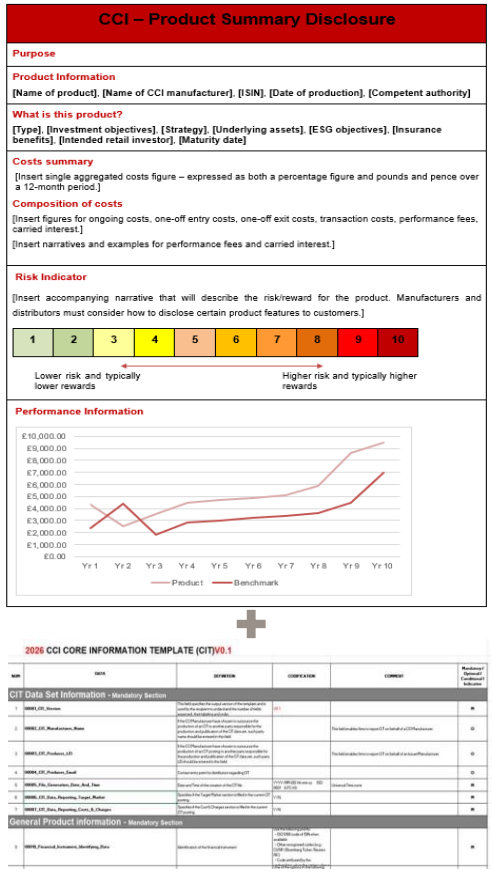
Manufacturer	Distributor
• Produce PSD & CIT • Compliance with product governance requirements (including for unauthorised firms) • Information flows with Distributors • Publish and keep up to date at least annually	• Review PSD & CIT • Decide if additional information is appropriate to support consumer understanding • Use or amend PSD and communicate to customers • Share feedback with manufacturer

What information do you need to produce/provide?

PRIIPS



CCI



In Scope Products

Open ended funds	Structured products and structured deposits	Contracts for differences (CFDs)
Closed ended funds	Insurance based investment products	Other complex products (e.g. derivatives)

Key Issues

1. Distributor liability / expectations
2. Costs methodology and disclosures
3. Prescriptive information vs flexibility
4. Unauthorised firm compliance
5. UCITs exemption

Unauthorised Persons

1. Will be subject to CCI Regime via the DAR
2. Must comply with Principles 1, 2, 3, 10 and 11
3. Must comply with basic product governance requirements including:
   a) Product approval and review process
   b) Target market assessment
   c) Fair value assessment; and
   d) Distribution strategy
4. Must ensure that the PSD is aligned with the consumer understanding outcome

2018 PRIIPS came into force

2021 UK withdraws from EU

March 2022 UK amends PRIIPS KID (*divergence from EU*)

December 2022 HMT consults on future consumer disclosure framework

2023 HMT policy paper and draft SI on CCI regime

2024 CCI regulations made and temporary forbearance for closed-ended funds

December 2024 FCA publishes CP24/30 (new CCI regime)

May 2025 CP25/9 (costs and transitional rules for new CCI regime)

H2 2025 FCA policy statement

Day X CCI regime comes into force

Day X + 12 months Forbearance expires, and closed-ended funds must comply with CCI regime

Day X + 18 months All firms must comply with CCI (incl. UCITs and NURs)

Key contacts



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What is changing in the consumer facing disclosures?

Information	PRIIPS - Key Information Document	CCI – Product Summary Document
Product / General information	• **Product Information** (i.e. ISIN) • **Name of PRIIPs Manufacturer** • **What is this Product?** (type, objective, intended retail investor); • **How long should I hold it, and can I take money out early?** (i.e. holding period/maturity date) • **How can I complain?** • **What happens if the PRIIPS manufacture is unable to pay out?** (i.e. level of financial loss & availability of compensation schemes) • **Other relevant information** (i.e. additional information, such as prospectus, etc) • **Date of publication**	• **Product identification info** (i.e. ISIN); • **Name of CCI Manufacturer**; • **Description of the Product and its aims** (i.e. type, investment objectives and strategy, underlying assets info, ESG objectives, insurance benefits, master/feed fund info, etc); • **Complaints info** (i.e. how to complaint about product or manufacturer); • **Redress info** (i.e. recourse to FOS and/or FSCS, or alternative non-UK options); • **Information on holding or exiting the CCI** (i.e. holding period, maturity date, exit penalty/fee); • **Additional information** (i.e. cross reference to prospectus, annual reports, etc); and • **Date of production/latest revision of core information**
Costs	Costs expressed in "**Costs over time" table**, which outlines costs over multiple holding periods for a £10k investment. **Different category of costs set out in table** showing impact on return per year for each of the sub-categories below (with both a narrative and percentage figure): • One-off costs (entry and exit costs); • Recurring costs (transaction costs); • Incidental costs (performance fees and carried interest).	**Firms to provide a single aggregated costs figure** – expressed as both a percentage figure and pounds and pence (£10k representative figure/£1k a year for regular contributions) over a 12-month period. *This is based on category of costs below, but with carried interest/performance fees to be excluded (due to potential to be misleading as they are contingent costs).* **Separate disclosures are also required for each of the below category of costs** (with narratives to be included for any incidental costs): • Ongoing costs • One-off entry costs and one-off exit costs • Transaction costs • Incidental costs (performance fees and carried interest) FCA plan to align CCI and MIFID cost disclosures – subject to further consultation.
Risks / rewards	**1-7 summary risk indicator,** which is based on credit and market risk methodology. Prescriptive narratives set out within the PRIIPs regulation depending on risk rating for the product, its liquidity, currency risks, level of potential losses, exit penalties, etc.	**1-10 summary risk indicator**, which is based on product volatility. High risk products (with minimum of 9 on this scale) will include leveraged products, derivatives, CFDs, etc. More flexibility for manufacturers to provide accompanying narratives that describe the risk/reward for the product. Manufacturers and distributors must consider how to disclose certain product features to customers (i.e. capital guarantees, structured capital-at-risk products). Greater focus on the usage of visual representations to aid consumer understanding of risk/reward for the product.
Performance scenario	Requirement to **disclose – via narratives - main factors that may affect performance** of the product, and to provide further information on: • What could affect the customers return positively? • What could affect the customers return negatively? • What could happen in severely adverse market conditions.	Requirement to **use a 10-year performance graph** (based on a £10k investment over time) if possible. Narratives required if less than 1 year/no data for the product. This graph should demonstrate returns net of costs and charges. This **performance graph should include benchmarks for comparison or** narratives (if no relevant benchmark is available). Requirement for all CCIs to include past performance graphs, unless it is (i) structured product/fixed-term, in which narratives can be used, or (ii) closed-ended investment company, which can use NAV data instead.