EXPLANATORY MEMORANDUM TO

THE CONSUMER COMPOSITE INVESTMENTS (DESIGNATED ACTIVITIES) (AMENDMENT) ORDER 2025

2025 No. 1347

1. Introduction

1.1 This Explanatory Memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby KC MP, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Tom Duggan, Deputy Director for Securities and Markets, at the Treasury confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Miriam Bengougam at HM Treasury can be contacted by email at the following address with any queries regarding the instrument: Capital.Markets@hmtreasury.gov.uk

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This instrument makes an amendment to the Consumer Composite Investments (Designated Activities) Regulations 2024[1] ('CCI Regulations') to enable a smooth transition to the new regime. Specifically, the instrument amends the CCI Regulations to provide temporary exemptions from the financial promotion restriction and the scheme promotion restriction, in sections 21(1) and 238(1) of the Financial Services and Markets Act 2000 (FSMA 2000), when persons advising on or selling consumer composite investments, formerly Packaged Retail and Insurance-based Investment Products (PRIIPs), continue to produce key information documents (KIDs) during the transitional period to the new regime.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland,

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The instrument seeks to address an issue with the CCI Regulations to enable a smooth transition to the new regime. Specifically, the instrument temporarily exempts from

[1] https://www.legislation.gov.uk/uksi/2024/1198/contents/made

the financial promotion restriction and the scheme promotion restriction KID disclosure documents produced during the transitional period in line with the previous PRIIPs regime. This temporarily maintains the current treatment of KIDs produced under the PRIIPs regime.

5.2 This means that, as is currently the case, unauthorised manufacturers of CCIs will not be required to have their disclosures signed off by a Financial Conduct Authority (FCA) authorised person if using the designated transitional arrangements under the new CCI regime. This will enable these firms to continue producing a KID, as required by the PRIIPs regulation, during the FCA's transitional period. These amendments will ensure a smooth transition to the new regime.

What was the previous policy, how is this different?

5.3 The Financial Services and Markets Act 2023 (FMSA 2023) repeals assimilated law relating to financial services, subject to commencement. Assimilated law is being repealed and replaced with rules set by the independent financial services regulators, operating within a framework set by government and Parliament.

5.4 In the Explanatory Memorandum to the Consumer Composite Investments (Designated Activities) Regulations 2024 the government committed to commencing the repeal 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).

5.5 The CCI Regulations laid in 2024 replaced assimilated law related to the PRIIPs regime and provided the FCA the powers to make rules to deliver a new UK retail disclosure regime. This enabled the FCA to address the commonly recognised and widespread issues with the existing framework under the new CCI regime.

5.6 To provide for the functioning of the PRIIPs regime, KIDs – which are standardised disclosure documents setting out descriptions of the product, expected performance, and potential risks and returns – were exempted from the restrictions on promotions in sections 21 and 238 of FSMA 2000.

5.7 Section 21 of FSMA 2000 provides that a person must not, in the course of business, communicate an invitation or inducement to engage in investment activity, or claims management activity, unless (i) they are an authorised person, (ii) the content of the communication is approved by an authorised person, or (iii) an exemption applies. This is known as the financial promotion restriction. Section 238 FSMA places additional restrictions on the promotion of collective investment schemes (the scheme promotion restriction). The exemption for PRIIPs KIDs means that FCA-unauthorised firms (e.g. firms outside the UK) who are offering PRIIPs to UK customers can do so without having to engage an FCA-authorised firm to sign off the KID.

5.8 Under the new CCI regime, CCI disclosure documents will be subject to the financial promotion restriction and the scheme promotion restriction. Consequently, the relevant articles exempting PRIIPs KIDS from these restrictions are being revoked as part of the consequential amendments made by the CCI Regulations. The new CCI regime will be commenced upon repeal of the PRIIPs regulations, on 6 April 2026, which was enacted by a separate commencement instrument[2].

[2] https://www.legislation.gov.uk/uksi/2025/1078/made

5.9 In its Consultation Paper[3] the FCA consulted on introducing an 18-month transitional period to allow firms to appropriately prepare for transition to the new regime. The FCA proposed that, during this period, if firms continue to produce KID disclosure documents in line with obligations of the PRIIPs Regulation and the FCA CCI transitional provisions, they would be considered compliant with FCA rules. Those rules have now been made[4].

5.10 To allow for the intended continuity of the conditions between the PRIIPs and CCI regimes, this instrument provides temporary exemptions from the financial promotion restriction and the scheme promotion restriction, for such disclosures produced during this transitional period. These changes will mitigate any potential market disruption by enabling firms to take advantage of the transitional period, and enabling the use of KID disclosures without requiring additional approval from an FCA-authorised person.

6. Legislative and Legal Context

How has the law changed?

6.1 The CCI Regulations instrument replaced assimilated law in relation to the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, establishing a new legislative framework for the regulation of Consumer Composite Investments (CCIs), formerly PRIIPs.

6.2 Commencement of the repeal of assimilated law related to PRIIPs will take effect on 6 April 2026. This was legislated for separately in The Financial Services and Markets Act 2023 (Commencement No. 11 and Saving Provisions) Regulations 2025.

6.3 Section 21 FSMA restricts the communication of financial promotions (which are invitations or inducements to engage in investment activity or claims management activity in the course of business), unless the person communicating it is authorised, the content of the communication is approved by an authorised person with the appropriate permissions, or an exemption applies. It is designed to protect consumers by ensuring that such promotions are compliant with the financial promotion rules. Section 238 FSMA places additional restrictions on the promotion of collective investment schemes (the scheme promotion restriction).

6.4 Article 20C of the FSMA 2000 (Financial Promotion) Order 2005 (the FPO) currently exempts PRIIPs disclosure documents (KIDs) from the financial promotion restriction. This exemption means that unauthorised firms (e.g. firms outside the UK) who are offering PRIIPs to UK customers can do so without having to engage an FCA-authorised firm to sign off the KID as complying with financial promotion rules. The FPO exemption is mirrored in article 31 of the FSMA 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001of the Scheme Order, which provides an exemption for PRIIPs KID from the scheme promotion restriction.

6.5 Article 20C of the FPO and article 31 of the Scheme Order are being revoked by the CCI Regulations (see Schedule 1, Part 2, Reg. 3-4). These consequential amendments come into force upon the repeal of PRIIPs on 6 April 2026. CCI disclosures may constitute a financial promotion.

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[3] https://www.fca.org.uk/publications/consultation-papers/cp25-9-further-proposals-product-information-consumer-composite-investments

[4] https://www.fca.org.uk/publications/policy-statements/ps25-20-supporting-informed-decision-making-final-rules-consumer-composite-investments

6.6 This instrument makes an amendment to the CCI Regulations to temporarily exempt from the financial promotion and scheme promotion restrictions (respectively, sections 21(1) and 238(1) of FSMA 2000) KID disclosure documents produced during the FCA transitional period. However, there is a long-stop date on the effect of the exemptions inserted by this Order, which is 8th December 2028. This will maintain the current treatment of KIDs for the full FCA transitional period, as set out in their final policy statement.

Why was this approach taken to change the law?

6.7 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 In preparing this instrument, HM Treasury has worked with the Financial Conduct Authority, the regulator responsible for making replacement rules under the new CCI regime. The FCA have consulted separately on their proposed rules.

8. Applicable Guidance

8.1 No guidance accompanies this instrument.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because in line with Better Regulation guidance, HM Treasury considers that the net impact of this amendment instrument SI on business will be less than £10m Equivalent Annual Net Direct Costs to Business.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies because this instrument does not constitute a new regulatory obligation and is time-limited to the FCA transitional regime.

9.3 The legislation does impact small or micro businesses.

9.4 The legislation applies to all firms who engage in designated activities relating to CCIs, including small or micro businesses. This approach is appropriate to ensure the UK's regulatory framework for CCIs supports effective market function with appropriate protections for retail investors.

9.5 There is no, or no significant, impact on the public sector because this does not constitute a new regulatory obligation and is time-limited to the FCA transitional regime.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is through ongoing engagement with the financial services industry to monitor its impact.

10.2 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015 Lucy Rigby KC MP, Economic Secretary to the Treasury made the following statement:

"It is not proportionate to include a review clause in this instrument because the estimated annual net direct cost to business is less than £10 million."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 The Economic Secretary to the Treasury has made the following statement regarding Human Rights:
"In my view the provisions of The Consumer Composite Investments (Designated Activities) (Amendment) Order 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts"). It does however relate to the withdrawal of the United Kingdom from the European Union because this instrument makes consequential and transitional amendments in relation to the revocation of assimilated law under FSMA 2023.