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FCA consults on post-Brexit divergence for PRIIPS regulation

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The FCA has set out proposals to change disclosure documents provided to retail investors under the Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation.

The changes will provide more clarity to consumers about what the products are, the risk presented and information to help understand likely future performance.

The PRIIPs regulation was developed to renew the confidence of retail investors in the financial market and improve their protection. Those who produce, advise on or sell PRIIPs are required to provide a Key Information Document (KID) about the product they are selling.

However, for some products the KID has potential to contain misleading information as a result of the methodologies used in producing performance scenarios and summary risk indicators. There has also been a lack of clarity within the PRIIPs regime over the corporate bond market. This has led HM Treasury to confirm that the UK will diverge from EU PRIIPs regulation to better protect its consumers.

A key element in the FCA's recent Consultation on the New Consumer Duty was to ensure that firms provide information which is understandable and helps consumers to make properly informed decisions. The FCA's proposed rule changes for PRIIPs will give firms great flexibility to ensure that their communications meet this test.

Sheldon Mills, Executive Director, Consumers and Competition said:

'Exiting the EU has provided us an opportunity to quickly amend technical standards surrounding key information documents as we know that they are not fully achieving the intended aims. We

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The FCA is consulting on the most serious concerns over PRIIPs and proposes to:

- Clarify the scope of the PRIIPs regulation making it clearer that certain common features of these instruments do not make them into PRIIPs and guidance on the meaning of PRIIPs being 'made available' to retail investors
- Amend the PRIIPs Regulatory Technical Standards to: require written explanation on performance in the KID; combat the potential for PRIIPs being assigned an inappropriately low summary risk indicator in the KID and; address concerns over applications of the slippage methodology when calculating transaction costs.

Subject to the outcome of this consultation, the FCA plans to amend the PRIIPs RTS by the end of 2021, with any changes made coming into effect on the 1st January 2022.

Notes to editors

1. [The Consultation Paper](#) (PDF).

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