

The background of the image is a complex financial market visualization. It features a dark blue and black color palette. Overlaid on this are several data series: a prominent candlestick chart with green and red bars, several smooth blue and red trend lines, and a jagged white line that resembles a heartbeat or a high-frequency signal. The overall aesthetic is technical and data-driven.

# Financial Regulation Monthly Breakfast Webcast

15 January 2025

LATHAM & WATKINS

# Today's Topics

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Our 10 key focus areas for the year ahead Becky Critchley

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The regulators' plans on OpRes incident reporting and the use of material third parties Jonathan Ritson-Candler

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The FCA's proposals for the new consumer composite investments regime Nicola Higgs

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The FCA's consultation on PISCES (CP24/29) Rob Moulton

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Our 10 key focus areas for the  
year ahead

**Becky Critchley**

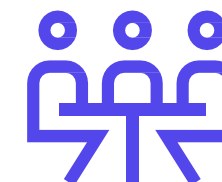
# 1. New Government

- The new UK government is prioritising growth in the financial services sector, taking the view that some post-crisis reforms have “gone too far”
  - Creates potential for pockets of deregulation
  - Opens a debate about risk-taking
- Remains very focused on consumer protection
- Expect sharper focus on the “benefits” of regulation and “whether it will make our economy more dynamic and more competitive”
- Watch areas:
  - SMCR
  - Remuneration

## Key dates

### Spring 2025

Government to publish Financial Services Growth & Competitiveness Strategy



## 2. Artificial Intelligence

Regulators are carrying out diagnostic work to better understand important use cases

- Regulators continue to take a pro-innovation, principles-based, and outcomes-focused approach
- No new UK framework to grasp yet, but firms need to ensure AI use complies with existing regulatory requirements
- Questions:
  - Do we have an AI policy?
  - Does the Board have an appropriate level of oversight to manage the output effectively and provide challenge where needed
- The UK government is expected to propose targeted legislation in 2025

### Key dates

#### January 2025

FCA to host its inaugural AI Policy Sprint and a Showcase Day for its AI Spotlight

#### 31 January 2025

Deadline for responses to questions posed by the FCA's AI Input Zone regarding use of AI in UK financial services

#### 2 February 2025

Prohibited AI practices must be withdrawn from the EU market under the EU AI Act

#### 2 August 2025

General purpose AI models must be in compliance with the EU AI Act

#### 2 August 2026

Requirements for high-risk AI systems and all other remaining provisions of the EU AI Act become applicable



# 3. ESG

2025 represents something of a watershed moment, with UK financial institutions affected by mandatory ESG disclosure regimes and a reinvigorated and ambitious sustainable finance strategy under the new government

- Many UK firms in scope of EU CSRD and will start to report in 2025
- Mandatory TCFD regime
- Transition plans
- Plans for new UK Sustainability Reporting Standards
- UK Green Taxonomy
- Work continues on ESG ratings regulatory regime
- Update on DEI

## Key dates

### Early 2025

Government to lay legislation to bring ESG ratings providers within scope of regulation, following which the FCA will consult on its related rules and guidance

### 6 February 2025

UK Green Taxonomy consultation closes for comment

### Q1 2025

PRA to update SS3/19 on the management of climate-related risks; UK government aims to consult on exposure drafts of UK SRS

### April 2025

The FCA's temporary extension for complying with the SDR naming and marketing rules expires

### 1 May 2025

ESMA Guidelines on funds' names using ESG or sustainability-related terms apply to pre-existing funds

### Q2 2025

FCA expected to consult on disclosure rules referencing the ISSB Standards and on transition plan disclosures for listed companies; FCA to publish final rules on its SDR for portfolio managers; FCA and PRA to set out next steps on their diversity and inclusion reporting proposals

### Mid-2025

European Commission may publish a report on the SFDR level 1 review

### H2 2025

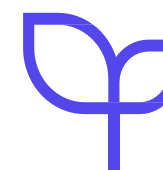
The FCA is anticipated to extend the SDR to apply to the overseas funds regime (subject to consultation)

### 2 December 2025

Ongoing SDR product- and entity-level disclosures for firms with AUM >£50 billion take effect

### 2 July 2026

EU ESG Ratings Regulation to apply



## 4. Edinburgh Reforms

The Edinburgh Reforms have seen mixed progress so far. The new UK government is expected to continue the outstanding reforms, aligning them with its growth-focused agenda

- Many reforms remain outstanding, but work is progressing
- Mansion House is the new benchmark for the reform agenda
- FCA / FOS Call for Input on modernising the redress system

### Key dates

#### Early 2025

Government to lay legislation to bring ESG ratings providers within scope of regulation, following which the FCA will consult on its related rules and guidance; FCA to publish a further consultation on the CCI regime

#### 13 February 2025

Advice Guidance Boundary Review consultation on targeted support for pension savers Closes

#### 17 February 2025

FCA consultation on PISCES closes for comment

#### 20 March 2025

FCA consultation on the CCI framework closes for comment

#### Q1 2025

FCA to publish two further consultations on the new prospectus regime; FCA, PRA, and HM Treasury expected to consult on reforms to the SMCR

#### By May 2025

HM Treasury to legislate for PISCES, following which the FCA will finalise its rules and launch the PISCES sandbox

#### H1 2025

FCA consultation on transaction reporting; Advice Guidance Boundary Review consultation on retail investments; FCA to finalise rules for the new prospectus regime

#### H2 2025

Consolidated tape for bonds expected to be operational

#### Later in 2025

FCA to consult on proposals for a consolidated tape for equities



# 5. Wholesale Markets

The UK is actively reforming regulatory rules to strengthen its global position; work continues on bolstering capital markets and reviewing key assimilated law

- Prospectus regime reforms are due to be finalised, as well as rules for the PISCES sandbox
- Ongoing adjustments to MiFID II continue, with transaction reporting rules under review
- UK MAR reform: supervision and enforcement landscape remains a watchpoint:
  - how issuers handle calls with analysts ahead of closed periods and generally disseminate inside information to their shareholders

## Key dates

### 14 February 2025

Deadline for responding to FCA Discussion Paper on transaction reporting

### 17 February 2025

FCA consultation on PISCES closes for comment

### 28 February 2025

Responses due to consultation elements of CP24/24 on the MiFID Delegated Regulation on organisational requirements

### 28 March 2025

Responses due to discussion element of CP24/24 on the MiFID Delegated Regulation on organisational requirements

### 31 March 2025

Trading venues will no longer need to apply pre-trade transparency to voice and RFQ trading; SIs in bonds and derivatives will no longer need to provide public quotes

### Q1 2025

FCA to publish two further consultations on the new prospectus regime; PRA to consult on restating parts of the MiFID Delegated Regulation on organisational requirements in its rules

### By May 2025

HM Treasury to legislate for PISCES, following which the FCA will finalise its rules and launch the PISCES sandbox

### Q2 2025

FCA intends to publish a consultation on the future of the SI regime

### H1 2025

FCA consultation on transaction reporting; FCA to finalise rules for the new prospectus regime

### H2 2025

Consolidated tape for bonds expected to be operational; PRA and FCA expected to publish Policy Statements on the MiFID Delegated Regulation on organisational requirements

### Later in 2025

FCA to consult on proposals for a consolidated tape for equities

### 1 December 2025

Most changes to the transparency regime for fixed income and derivatives markets take effect; new SI definition to take effect





## 6. Retail Markets

The FCA's focus on consumer protection persists, with a continued emphasis on the Consumer Duty, as well as reforms to retail investments and consumer products

- Work relating to motor finance commissions will be a key watchpoint – signals point to potentially broad ramifications for the use of commissions in wider contexts
- New CCI regime due to replace PRIIPs – expected to have broader impact on retail costs and charges disclosures
- Feedback from the FCA's review into the treatment of vulnerable customers is due early this year. FCA also brought enforcement action against three firms in 2024 for their treatment of customers in financial difficulties
- New government is pushing ahead with the regulation of Buy-Now-Pay-Later (BNPL) products, with legislation expected to be made early this year

### Key dates

#### Early 2025

FCA to publish a further consultation on the CCI regime

#### 13 February 2025

Advice Guidance Boundary Review consultation on targeted support for pension savers closes

#### 20 March 2025

FCA consultation on the CCI framework closes for comment

#### Q1 2025

FCA to publish findings from its review of firms' treatment of vulnerable customers; PRA consultation expected on review of the FSCS deposit protection limit; HM Treasury to finalise BNPL legislation and FCA to consult on related rules

#### 1-3 April 2025

Supreme Court to hear appeals in motor finance cases

#### May 2025

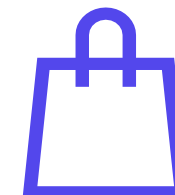
FCA to set out next steps in its review into the past use of discretionary commission arrangements in the motor finance industry

#### H1 2025

FCA to provide feedback on its review of retail conduct rules in light of the Consumer Duty; next steps to be published following joint FCA and FOS Call for Input on modernising the redress system; Advice Guidance Boundary Review consultation on retail investments

#### 4 December 2025

Deadline for motor finance firms to respond to customer complaints regarding discretionary commission arrangements



# 7. Basel 3.1 Implementation

While many jurisdictions have finalised and implemented these standards, adoption in the UK, EU, and US was delayed

- 2025 promises to be a critical year for banks adjusting to the new regime
- Banks in the UK can now work towards a clear implementation date of 1 January 2026 for the Basel 3.1 reforms, and also need to keep track of other changes to the prudential regime
  - Final UK rules for Basel 3.1 implementation include important concessions
  - Wider work on repealing and restating the Capital Requirements Regulation continues

## Key dates

### Q1 2025

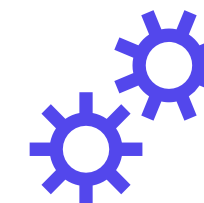
PRA intends to issue a Policy Statement containing all final policy materials for Basel 3.1 implementation in the UK

### 1 January 2026

UK implementation date for Basel 3.1; EU implementation date for delayed market risk provisions

### 1 January 2030

End of UK transitional implementation period



# 8. Operational Resilience

Operational resilience is increasingly critical for the UK financial services sector, as operational disruptions occur more frequently and carry greater risk

- 1 Jan: Framework for Critical Third Parties (CTP)
- 17 Jan: DORA
- 31 March 2025: Final deadline for the new operational resilience framework. Consider how to continually increase the sophistication of testing plans
- New requirements on incident and third-party reporting. Require firms to submit standardised reports on incidents that breach certain reporting thresholds

## Key dates

### 13 March 2025

PRA and FCA consultations on operational incident and third-party reporting close for comment

### 31 March 2025

Deadline for firms to remain within their impact tolerances

### H2 2025

PRA and FCA to publish Policy Statements on operational incident and third-party reporting



# 9. Enforcement Trends

The FCA is aiming to focus on bringing fewer, but more impactful, enforcement actions, while also trying to reach a compromise on proposals to announce enforcement investigations

- Outcome of consultation on announcing investigations is eagerly awaited
- Firms can expect continued focus on MAR/AML systems and controls failings

## Key dates

### Q1 2025

FCA to publish final approach on announcing enforcement investigations;  
FCA expected to publish final guidance on nonfinancial misconduct



# 10. Governance

The UK regulators are revisiting governance frameworks to make them more proportionate and competitive, with proposed changes focusing on the remuneration rules for banks and the SMCR

- Aim is to reduce the burden of aspects of these regimes
- Review could lead to some important changes for firms

FCA new guidance on non-financial misconduct – expect a doubling down on undesirable conduct to be high on the FCA's agenda following the findings of the Sexism in the City inquiry

## Key dates

### 13 March 2025

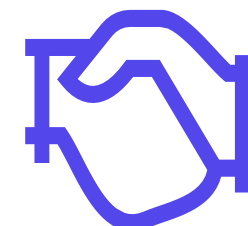
Deadline for responding to the joint PRA and FCA consultation on remuneration reforms

### Q1 2025

FCA, PRA, and HM Treasury expected to consult on reforms to the SMCR

### H2 2025

PRA and FCA aim to publish final policy materials in relation to their remuneration reforms



# 10 Key Focus Areas for Financial Services Firms in 2025

In this publication and podcast series, we explore some of the core focus areas for UK-regulated financial services firms in the year ahead.

## The Report



Click the laptop to read the report

## Podcast Series



- UK FinReg Focus Areas in 2025: Wholesale Markets
- We discuss what will likely appear on the reform agenda for wholesale markets in 2025, examining capital markets reforms, changes to the remuneration rules and SMCR, and ongoing work on repealing and restating MiFID II. [Available to listen here.](#)



- UK FinReg Focus Areas in 2025: Retail Markets
- We discuss the key developing areas for retail markets in 2025, breaking down the difficult challenge of balancing risk-taking and growth with consumer protection, discussing what is next for the Consumer Duty, and tracking progress on reforms to the consumer credit and consumer investment regimes. [Available to listen here.](#)



- UK FinReg Focus Areas in 2025: Sectoral Trends
- We discuss the key cross-sector trends for financial services firms in 2025, providing our thoughts on what firms need to be thinking about in relation to the use of AI, the continuing importance of ESG, and the regulatory focus on operational resilience. [Available to listen here.](#)



Click [here](#) to access all of the materials



The regulators' plans to introduce  
new reporting requirements for  
operational incidents and use of  
material third parties

**Jonathan Ritson-Candler**

# Consultation on new rules for consistent operational incident reporting

- On 13 December 2024, the FCA and PRA published linked Consultation Papers FCA CP24/28 and PRA CP17/24, which set out proposals for new rules on:
  - How, when and what to report in relation to “**operational incidents**”. This will be applicable to:
    - Authorised firms
    - Payment service providers
    - UK recognised investment exchanges
    - A registered trade repository
    - A registered credit rating agency
  - How, when and what to report in relation to “**material third-party arrangements**” i.e., outsourcings and other third-party relationships not amounting to outsourcing. This will be applicable to a sub-set of (larger) firms:
    - Enhanced SMCR firms
    - Banks, PRA designated investment firms and building societies
    - Authorised e-money institutions and authorised payment institutions
    - Solvency II firms
    - CASS large firms
    - Consolidated tape providers
    - UK recognised investment exchanges



# Reporting operational incidents

- The regulators are concerned that operational incidents are under-reported (citing just c.2.5% of firms reported an operational incident since 2018) and inconsistently reported, leading to a lack of consistent, high-quality data being provided to the regulators
- Consultations close on 13 March 2025, with Policy Statements anticipated for H2 2025
- Definition of “operational incident” is:
  - A single event or a series of linked events that disrupts the firm’s operations, where it either:
    - Disrupts the delivery of a service to the firm’s clients or a user external to the firm; or
    - Impacts the availability, authenticity, integrity or confidentiality of information or data relating or belonging to the firm’s clients or a user external to the firm
- Bar for incident reporting is different from that set out in the operational resilience rules – report incidents with the potential of causing intolerable harm
- Operational incidents need only be reported where they breach a materiality threshold (as defined by the regulators)

# Factors to consider when applying the reporting thresholds

- Firms to determine whether an incident is an operational incident and, in turn, whether it breaches a reporting threshold
- Regulators do not propose specific metrics for thresholds or an exhaustive list of incidents:
  - Given the breadth of firms covered, they cannot provide guidance in all circumstances
- When assessing whether to report an incident with reference to the thresholds, firms should consider the following factors:
  - The direct and indirect impact on the firm's clients or the wider sector
  - The direct and indirect impact on the firm's consumers
  - The firm's ability to provide adequate services
  - The firm's or the sector's reputation
  - The firm's ability to meet its legal and regulatory obligations
  - The firm's ability to safeguard the availability, authenticity, integrity or confidentiality of data or information relating or belonging to a client or user

# Case studies in FCA CP24/28

Incidents that breach reporting thresholds	Incidents which do not breach reporting thresholds	Incidents causing indirect impact on the firm's clients and wider sector
<p>Firms A and B are UK-based retail banks undergoing a merger. During the merger, a failure in the integration of IT systems leaves some clients unable to access their accounts online or via an application. There are also delays in processing client transactions overnight.</p> <p>The unavailability of the online banking and payment services disrupts clients' day-to-day management of their financial affairs. As the incident has the potential to cause intolerable harm, the firm correctly considers that the potential impact caused by this disruption breaches the consumer harm objectives and should be reported</p>	<p>Firm C is an independent financial advisor. It suffers a power outage which means that the sole director and employee are unable to keep their appointments with their clients. The incident has a minor operational impact with no substantive impact on clients or regulatory obligations. The director correctly considers that the incident has caused an inconvenience but does not have the potential to cause intolerable harm. The firm is not required to report the incident to the FCA, given the impact on services for a small number of clients</p>	<p>Firm E provides clearing services to Firm F, who in turn provides trade execution services for Firm G, a consumer investment firm. Firm E suffers an outage at its data centres, which means it cannot receive orders for clearing trades or ensure that orders are reconciled. As Firm F relies on Firm E for clearing, this disruption means Firm F could not execute trades.</p> <p>The disruption at Firm F leads to a failure to serve Firm G, and prevents clients from trading through Firm G. This can cause intolerable consumer harm as consumers may be unable to buy or sell their investments at a desired price, or their investments may suffer from lower performance because of delayed or failed transactions.</p> <p>As this incident has caused intolerable consumer harm, Firm G correctly considers that the incident breaches consumer harm threshold and should be reported. Firms E and F correctly consider that the incident breaches consumer harm thresholds for both firms, as they have considered the direct impact of the incident on its clients (for Firm E, Firm F is its client; for Firm F, Firm G is its client), and then the indirect impact on the clients using Firm G's services</p>

# How and when to report operational incidents

- All reports should be made as soon as practicable unless otherwise stated
- **Initial report:** including where the incident is resolved shortly after it occurs
  - This should not draw resources away from dealing with the incident
  - Proposes to build functionality so that the form pre-populates with firm information
  - Regulator(s) may ask follow up questions
- **Interim Incident report:** to keep the regulator(s) updated wherever there is a “significant change” compared to the initial report (e.g., when additional information is available, when the known impact of the incident changes, where the firm has taken action to mitigate the impact etc.)
- **Final incident report:** after confirming the incident is resolved, file within 30 working days (including full impact assessment, root cause analysis, lessons learned etc.)

# Reporting material third-party arrangements

- A “third-party arrangement” is:
  - An arrangement of any form between a firm and a service provider. Whether or not the product or service is:
    - One which would otherwise be provided by the firm itself;
    - Provided directly or by a sub-contractor; or
    - Provided by a person within the same group as the firm
- This encompasses outsourcing and non-outsourcing third-party arrangements
- Ad hoc and annual reporting requirements
- Given the foregoing is so broad, the regulators will only require information in relation to “material third-party arrangements”

The background of the slide is a complex financial chart. It features a central candlestick chart with green and red bars, overlaid with several moving average lines in blue, red, and white. The chart is set against a dark blue background with a grid of light blue lines. The overall aesthetic is that of a professional financial analysis tool.

# The FCA's proposals for the new consumer composite investments regime

**Nicola Higgs**

# Consumer Composite Investments (CCI)

- FCA CP24/30 – published 19 December 2024
  - Edinburgh Reforms: UK government committed to repealing the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and replacing it with a UK-specific retail disclosure regime
  - Aim is to move away from a prescriptive regime that has raised some serious issues in terms of its broad scope and potentially misleading disclosures, to a more outcomes-focused framework
- Framework for the regime
  - Legislation: CCI (Designated Activities) Regulations 2024
  - (Proposed) FCA rulebook: FCA's first step in creating the detailed rules envisaged by the high-level legislation

# CCI: Product scope

- Legislative definition of a CCI
  - (a) an investment;*
  - (b) a contract of insurance; or*
  - (c) any right to or interest in anything listed in subparagraphs (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*

## FCA proposed rules

FCA envisages the following products as falling within scope of the regime:

1. Structured deposits
2. Structured products — securities which embed a derivative, or include features equivalent to a derivative contract
3. Debt securities that are currently classified as PRIIPs (in DISC 2.2)
4. Securities issued by open-ended funds, or rights to or interests in such securities
5. Securities issued by closed-ended investment funds (including investment trusts and venture capital trusts)
6. Contingent convertible securities
7. Contracts for Difference
8. Insurance-based investment products (with-profits policies, unit-linked policies, and Holloway sickness policies)



# CCI: Product exclusions

- Pension schemes
- Deposits that are not structured deposits
- Pure protection contracts
- Long-term insurance contracts where benefits are only payable on death or sickness

## FCA proposed rules

Acknowledging the difficulties issuers face in ensuring that listed securities intended for non-retail investors are not sold to any retail investors, the FCA intends to add rules to disapply the CCI requirements when an offer of **readily realisable securities** meets all of the following criteria:

- The marketing materials (including prospectus, where relevant) feature clear and prominent disclosures that the product is not intended for retail investors, and the CCI is only being offered to professional clients or eligible counterparties
- The issuer has taken reasonable steps to ensure the offer and associated promotional communications are directed only at non-retail investors
- A minimum investment of £50,000 applies for each end-investor

# CCI: Activities scope

- The CCI regime leverages the new UK **Designated Activities Regime**
- As with the PRIIPs regime, anyone carrying on designated activities in relation to CCIs must comply with the related rules set by the FCA, regardless of whether or not they are authorised
- **Unauthorised manufacturers** required to
  - Meet basic UK product governance standards
  - Comply with rules equivalent to Principles 1, 2, 3, 10, and 11 of the FCA's Principles for Businesses

## Legislative activities in scope

The legislation provides for the following designated activities under the CCI regime (which apply regardless of where the person performing the activity is based):

1. **Manufacturing** a CCI which is, or is proposed to be, made available to a retail investor located in the UK
2. **Advising on** a CCI if the advice is given to:
  - a retail investor located in the UK; or
  - an agent for that investor
3. **Offering** a CCI to a retail investor located in the UK
4. **Selling** a consumer composite investment to a retail investor located in the UK

# CCI: Manufacturers & Distributors

## Manufacturers

1. Calculate **core product information** in line with detailed methodologies in FCA rules
2. Produce a **product summary** for each CCI
3. Publish the machine-readable file and product summary on a publicly accessible website
4. Share additional detail with distributors and respond to feedback from distributors
5. Ensure the product summary and underlying core information that manufacturers produce remain accurate as long as a CCI continues to be distributed to retail clients
6. Review and update the product summary and core product information as necessary, and at least every 12 months
7. Flag any material changes in the product information to distributors

## Distributors

1. Review product information and product summary prepared by the manufacturer (inc. verifying that the product summary remains up to date)
2. Decide whether additional explanatory information is appropriate to support consumer understanding
3. Decide whether to use the manufacturer's product summary or amend it. If distributors create their own product summaries, they would be responsible for ensuring these contain all required information and otherwise meet all regulatory requirements
4. Communicate relevant information to customers pre-sale\*
5. Provide a durable medium\*\* product summary to customers after every sale
6. Share feedback and information with manufacturers on their communications and products

\* Note that this requirement would not be relevant in the case of discretionary managed distributions or reverse enquiries (however, if a consumer has approached the firm, they would still receive a copy of the product summary and be encouraged to consider it)

\*\* In line with its "digital first" approach, the FCA recognises the need to support initial communications with customers via a non-durable medium. Therefore, firms can send the product summary by email following a CCI sale conducted online. The FCA is looking at the definition of durable medium to see if it serves as a barrier to good customer outcomes.

# CCI: Debt securities

FCA does not consider that a typical “make whole” clause causes corporate bonds to fall within scope of the CCI regime

FCA is proposing to amend the existing scope clarifications to:

- remove the current requirement for a link between the exercise of a “make whole” option and some other event or state of affairs
- broaden the scope of the possibility of mechanisms for calculating the cash repayment amount to ensure that this does not inadvertently exclude certain “make whole” provisions

## Debt securities

*DISC 2.2 replaced with DISC 1A.2.2*

*A debt security is a CCI if the level of interest payable, any conditionality of principal repayment, or the issuer’s default risk, is linked to or materially dependent on one or more of the following:*

- (a) fluctuations in reference indices or benchmarks relating to investments or a class of investments, for example a stock market index. Excluding –*
  - *the Bank of England official Bank Rate or equivalent rate from another central bank*
  - *any benchmarks or indices tracking the rate of inflation*
  - *the Sterling Overnight Index Average (SONIA), or equivalent risk-free reference rate in any currency*
- (b) the value or performance of a financial instrument or a basket of financial instruments, or one or more specified commodities or foreign exchange rates*
- (c) the value or performance of investments held by the issuer or by a person connected to the issuer*

*Note (DISC 1A.2.3): Excluded from being a CCI -*

- *The issuer’s default risk is wholly or predominantly determined by the economic performance of the commercial or industrial activities of the issuer (or, where the debt security is guaranteed by a group person, that person); and*
- *The terms of the debt security do not impose any modification, structuring, or conditionality on the issuer’s obligation to pay interest or repay the principal, save for the effect of certain fixed- floating- put- and call- features (DISC 1A.2.4R)*

# CCI: Disclosures

## Core information disclosures

1. General product information
2. Costs and charges information
3. Performance information
4. Risk information
5. Risk and reward information



## General product information

1. Name
2. ISIN or UPI
3. Name of the manufacturer
4. Date of production or revision
5. Characteristics:
  - type
  - investment objectives and strategy
  - a description of any underlying investment assets or reference values and an explanation of how they relate to the value of the consumer composite investment
  - information about any markets to which the value of the investment has material exposure or sensitivity
  - any environmental or social objectives



## Product Summary

Stand-alone product summary reflecting the below core information in a short, concise, and consumer friendly presentation

- Short description of the product's investment objectives and investment policy, information about risk, past performance, and costs and charges, as well as identifying information about the product, information on who prepared the product summary and the date it was issued, and information about Financial Ombudsman and Financial Services Compensation Scheme (FSCS) eligibility
- Must not rely excessively on cross-references to other materials
- Make machine-readable file and product summary available on a **publicly accessible website**

- any insurance benefits and the circumstances in which they would accrue or be payable
- the investment term or recommended holding period (if there is one), including a minimum or maximum recommended holding period (if relevant)\*

*\* inc. a warning that makes clear that product may not be appropriate for investors who plan to withdraw their money within that time period*

- where the return or payment to a retail investor is determined by a formula: an explanation of the formula and how the retail investor's return or payment is calculated under the formula

6. Complaints information - information about how to complain to the manufacturer about: (i) the product; and (ii) the manufacturer

## 7. Compensation information:

- (a) whether the product falls under the jurisdiction of the FOS
- (b) the extent of coverage of the FSCS
- (c) whether any alternative dispute resolution or compensation scheme from a country other than the UK applies and the conditions to access any such scheme

## 8. Fees, rules, penalties or limitations on:

- (a) early exit
- (b) disinvesting

## 9. Maturity date

10. Where to find additional information. E.g. prospectus or other offer documents, contractual information, and regular reports

11. CCIs which are funds: any information required under DISC 5.2.3R.

# CCI: Performance

- Product summaries would need to present past performance of products in a standardised graphic manner covering a 10-year period (or all that is available, if less than 10 years)
- The line graph should be based on an initial investment of £10,000 for both the product and benchmark and be net of all costs and charges
- Where a product has less than 12 months of performance data, firms must provide the available performance data with an appropriate frequency to enable a retail investor to make an informed investment decision
  - Prominent statement to be included, explaining that the performance shown is for a short period of time and may not be representative of performance in the longer term
- Minimum number of (at least quarterly) data points in the graph, to avoid the perception of a reduced volatility through an artificial smoothing of the data

# CCI: Performance

- Firms will have the option of not showing past performance for products that have less than a quarter's worth of data
  - Include a statement that there is insufficient past performance data to reliably illustrate the historic performance of the product
- General information about the key factors that determine the performance of the product would need to be provided for all products
- The graph is supplemented with information on the past performance, including:
  - A warning explaining that past performance is not a guide to future performance
  - The exchange rate used to convert the reference investment figure to an equivalent amount, where the product is not priced in pound sterling

# CCI: Costs & charges

- FCA's proposed rules apply only to the calculation and presentation of product costs
  - Distributors' existing obligations relating to costs and charges for the investment services they provide would remain unchanged
  - Manufacturers would need to adhere to prescriptive and standardised methodologies
1. Provide distributors with the product's aggregated ongoing cost percentage for each CCI
  2. **Summary cost illustration** must show product costs over a *single* holding period:
    - Consists of entry costs, exit costs, ongoing costs, and transaction costs
    - Presented as a percentage and as GBP figures over a 12-month period
    - £10,000 as the representative investment, or £1,000 each year for CCIs with regular contributions
    - Performance fees or carried interest are not included in this figure
  3. **A baseline cost methodology** for all products and specific considerations for certain product types. Firms must disclose all direct and indirect costs and charges associated with a product. The types of costs and charges to disclose would remain broadly unchanged from existing requirements:
    - One-off entry, one-off exit, ongoing and transactional costs, each of which would need to be calculated and disclosed as a percentage figure, alongside an aggregated summary of these costs
    - Performance fees and carried interest, which would need to be identified and explained in easily understandable language
  4. **Transaction costs**. While firms should calculate and disclose transaction costs for CCIs, the FCA will consult on amendments to the existing methodology (used under the PRIIPs regime) in early 2025
  5. **Ongoing costs**. Requirement to present a single, aggregated ongoing costs percentage for CCIs. The FCA is not proposing to require that specific ongoing cost components must be highlighted to investors
  6. **One-off and other costs**. Requirement for separate disclosure of any one-off entry or exit costs, contingent costs like performance fees and carried interest, and transaction costs:
    - Transaction costs should be disclosed separately to other ongoing costs
    - Performance fees or carried interest should be communicated through a simple explanation of how the performance fee is structured, alongside a practical example of what this fee could amount to



# CCI: Risk & reward information

- To correct the issues experienced with the current PRIIPs Summary Risk Indicator, FCA is proposing that the 1-7 risk metric defined by the Cornish Fischer expansion be replaced with a 1-10 risk metric based on product volatility, along with descriptions which balance the material risk and potential rewards to provide a more holistic picture
- FCA proposes a minimum risk score for certain products that are deemed **high-risk** or those of unknown volatility
  - Highly leveraged products
  - Products that are structured so that you could lose more than you invest
  - Derivatives
  - Contracts for difference
  - Contingent convertible securities
  - VCTs
  - Products with very low liquidity or that are not regularly priced

*“Interactive disclosure that accommodates hover-over buttons, hyperlinks or pop-ups could help improve understanding. For example, terminology such as ‘transaction costs,’ ‘volatility,’ or ‘liquidity risk’ could be accompanied by a simple and clear explanation” FCA CP24/30*


CCI score		Standard deviation range	Corresponding old PRIIP MRM score
1	The lowest-risk categories are narrow, as the difference	< 0.5	1
2	between very low volatilities can be significant in risk-sensitive contexts	0.5 – 2.0	2
3	These classes cover moderate risk levels	2.0 – 5.0	2
4		5.0 – 9.0	3
5		9.0 – 12.0	3
6	These are consistent with the MRM 4’s range, allowing for finer differentiation in this important segment	12.0 – 16.0	4
7		16.0 – 20.0	4
8	The highest-risk categories have broader ranges, as volatility	20.0 – 30.0	5
9	increases significantly. This helps to distinguish between high-risk products	30.0 – 50.0	6
10		> 50.0	6-7

# PRIIPs v CCI: Comparison

Aspect	UK PRIIPs KID	CCI Regime
Document and format	<p>Key information Document (KID) in a standalone document with specified format/template</p> <p>Maximum three sides of A4</p> <p>Provided at point of sale</p>	<p>Firms have freedom to design product information, removing format and template requirements</p> <p>Provided early in the consumer journey</p> <p>If a sale is made, firms provide a record in a durable medium which could take various forms</p>
Cost information	<p>Any direct and indirect costs associated with an investment in the PRIIP, including one-off costs, recurring costs, and incidental costs</p> <p>A reduction in yield table showing the total impact of costs over time. It must be presented over three different holding periods as a single number in percentage and monetary terms</p>	<p>Performance fees and carried interest explained using narrative and examples</p> <p>Changing reduction in yield to summary costs over a 12- month period</p> <p>Flexibility for firms to describe what costs mean and their impact on returns</p>

# PRIIPs v CCI: Comparison (cont.)

Aspect	UK PRIIPs KID	CCI Regime
Risk information	<p>1-7 risk metric based on credit and market risk, defined by the Cornish Fischer expansion</p> <p>Risk information that is separated from information on performance</p>	<p>1-10 risk metric based on product volatility</p> <p>Flexibility to change risk indicator based on key risks or product features such as capital guarantee</p> <p>Combined risk-reward information to help consumers understand the features of products</p>
Performance information	<p>Descriptions of the factors that are likely to affect the performance of a product both positively and negatively, and the impact they may have on its returns</p>	<p>A past performance graph covering a 10-year period (where this is available), to visually help consumer understanding and to provide more contextual information to consumers</p>

The background of the slide is a complex, multi-layered financial chart. It features a dark blue and black color palette. Overlaid on this are several data series: a prominent candlestick chart with green and red bars, a thick blue line graph that fluctuates across the middle, and various other thinner lines in shades of blue, red, and white. The overall effect is that of a busy, high-tech trading environment.

# The FCA's consultation on PISCES (CP24/29)

**Rob Moulton**

# The FCA's consultation on PISCES (CP24/29)

- Three key design principles behind the FCA's approach to the sandbox
  - A “private plus” market
  - Optionality for PISCES operators in terms of platform structure
  - Some investor protections (given reasonably wide scope of “expert” retail investors permitted)
- Consultation closes 17 February 2025
- Sandbox launch anticipated May 2025

# PISCES – disclosure arrangements

- Minimum standard of Core Information
- Potentially supplemented by Additional Information, with both a “sweeper model” and an “ask model” option for operators (latter likely to be used)
- Operators will disclose dealings by directors and major shareholders
- Employees and FPO exempt retail will be permitted to invest

# Intermediary requirements

- Intermediaries will be subject to requirements if they promote or distribute PISCES shares to retail (typical risk warnings and Consumer Duty requirements)
- MAR is disapplied entirely on PISCES
  - But FCA reminds firms of general duties relating to countering financial crime and the FSA 2012 misleading statements offences



# 10 Key Focus Areas for Financial Services Firms in 2025

In this publication and podcast series, we explore some of the core focus areas for UK-regulated financial services firms in the year ahead.

## The Report



Click the laptop to read the report

## Podcast Series



- UK FinReg Focus Areas in 2025: Wholesale Markets
- We discuss what will likely appear on the reform agenda for wholesale markets in 2025, examining capital markets reforms, changes to the remuneration rules and SMCR, and ongoing work on repealing and restating MiFID II. [Available to listen here.](#)



- UK FinReg Focus Areas in 2025: Retail Markets
- We discuss the key developing areas for retail markets in 2025, breaking down the difficult challenge of balancing risk-taking and growth with consumer protection, discussing what is next for the Consumer Duty, and tracking progress on reforms to the consumer credit and consumer investment regimes. [Available to listen here.](#)



- UK FinReg Focus Areas in 2025: Sectoral Trends
- We discuss the key cross-sector trends for financial services firms in 2025, providing our thoughts on what firms need to be thinking about in relation to the use of AI, the continuing importance of ESG, and the regulatory focus on operational resilience. [Available to listen here.](#)



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- [UK Regulators Consult on New Reporting Requirements for Operational Incidents and Use of Material Third Parties](#)
- [FCA Publishes Retail Markets Disclosure Proposals for Consumer Composite Investments](#)
- [The Stars Align — FCA’s PISCES Proposals to Build on Private Market Practices](#)
- [FCA Publishes Further Consumer Duty Feedback for Firms](#)
- [PCAF Launches Consultation on New Methodologies for the Global GHG Accounting and Reporting Standard](#)



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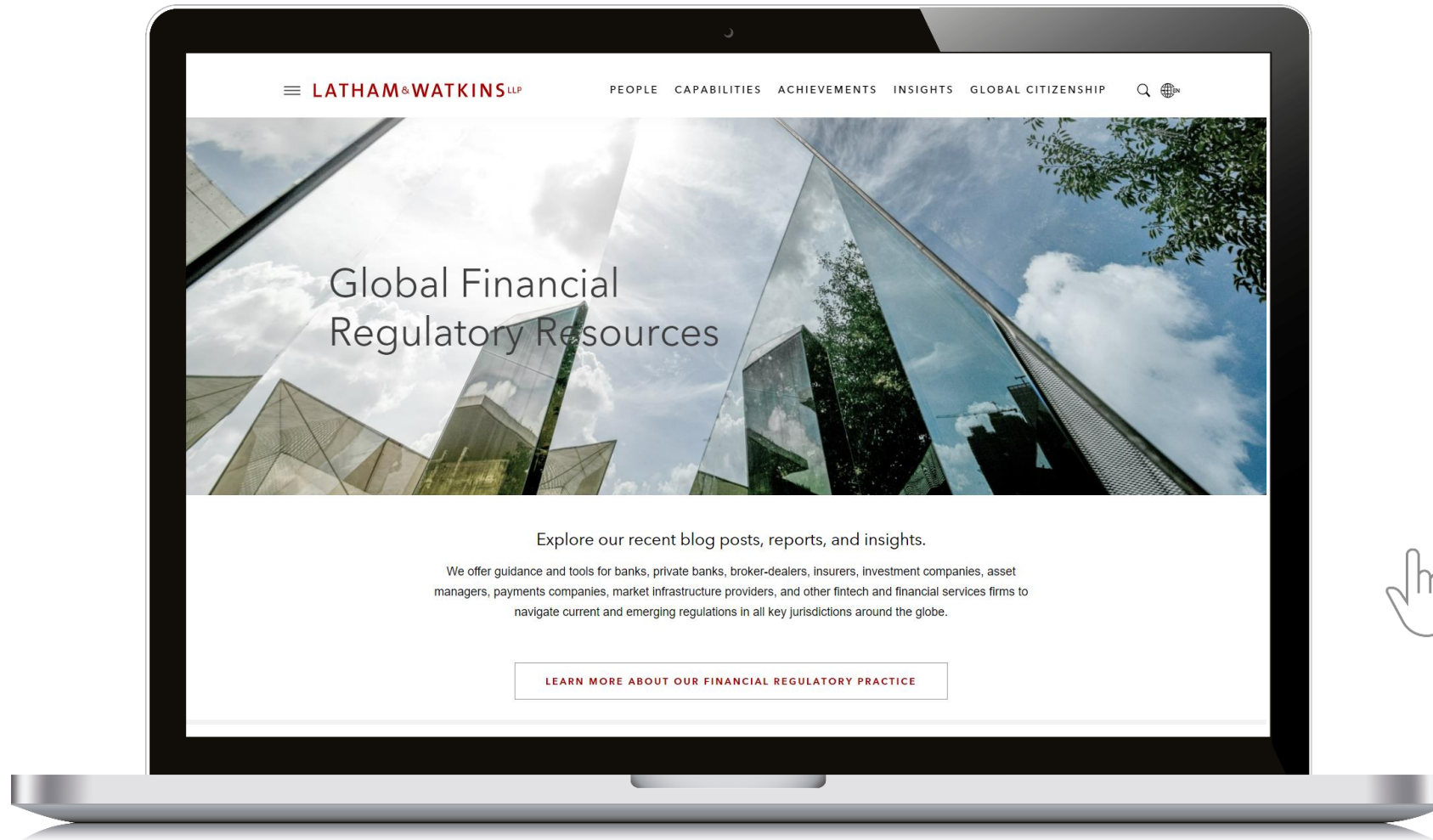
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