

# Government initiates overhaul of retail investment disclosure

## AT A GLANCE

January 2023

### What's new?

- The Government issued a [Consultation Paper](#) (CP) on the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and UK retail disclosure on 9 December 2022. The FCA then published a [Discussion Paper](#) (DP) on a new disclosure framework on 13 December 2022 to complement the Government's CP.
- In addition to the PRIIPs Regulation, the CP briefly covers the Undertakings for the Collective Investment in Transferable Securities (UCITS). The Government confirms it will repeal the PRIIPs Regulation and the UCITS disclosure requirements in the Financial Services and Markets Bill as a matter of priority.

### What does this mean?

- The PRIIPs Regulation requires firms to present a Key Information Document (KID) to retail investors, and the UCITS Directive requires funds classed as UCITS to produce a Key Investor Information Document (KIID) for retail investors.
- In the CP the Government outlines several problems with the KID and KIID, including their prescriptive nature.
- Given both UCITS and PRIIPs rules can apply to similar products in the retail investment market, the Government considers it would be appropriate to have a single disclosure regime for both in the future.
- The Government proposes that PRIIPs and UCITS disclosure rules should sit in the FCA Handbook instead of legislation; and that disclosure to UK retail investors should seek to provide clear and decision-useful information, enabling consumers to make evidence-based investment decisions. The Government also proposes that disclosures should be proportionate to the risk presented to consumers when purchasing investment products.
- The FCA states in its DP that revocation of the PRIIPs Regulation provides it with the opportunity to design a retail disclosure framework that is tailored to the UK market, supporting UK retail investors to make informed decisions. The FCA adds that the Consumer Duty will help it design a new outcomes-focused disclosure regime, allowing for greater flexibility.
- The regulator seeks views on the delivery, presentation and content of retail disclosure. It highlights its earlier work on [Smarter Consumer Communications](#), which emphasised the need for innovation in disclosure to reflect market innovation.
- With regards to the delivery of disclosures, the FCA wants to align this with the consumer journey, so that information is delivered to consumers when it will be most useful to them.

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The FCA confirms that it is unlikely it will amend the [durable medium requirement](#) in the short-term, although it notes it will need to evaluate this in the long-term to future-proof disclosure rules. This means rules should be compatible with the evolving digital environment.

- In relation to the presentation of disclosures, the FCA considers this review as an opportunity to step away from prescriptive disclosure; and that layering information by presenting key points upfront and providing more granular information later could assist with producing succinct and transparent information. The FCA has not been prescriptive on layering as it recognises that the right approach may differ across products.
  - In relation to the content of disclosures, the FCA considers that given costs and charges are essential to consumer choice, simplified costs should be prescribed more strictly.
  - The FCA further asks for feedback on how it can ensure risk and performance information is calculated and displayed in an appropriate way.
- Firms will need to design disclosures in a way that is straightforward for retail investors to navigate and digest. This should include considering how they can better engage with consumers (e.g. by using interactive product pages and features such as filtering, hover-over buttons, hyperlinks and pop-ups), graphics, and how the disclosures can be presented in plain language.
  - Firms will also need to consider if their disclosure allows consumers to understand the features and risks of the products on offer, and the implications of their decision.
  - Firms should view this discussion in the broader regulatory context and consider interactions with parallel regulatory developments in retail disclosure. This includes the FCA's recent CP on [Sustainability Disclosure Requirements and investment labels](#), which contains proposals for rules on the use of sustainable labels for investment products, sustainability disclosures, and a general 'anti-greenwashing rule' for FCA-regulated firms.

## What do firms need to do?

- Once the PRIIPS and UCITS disclosure rules are repealed and a new retail disclosure framework is introduced, firms will need to consider how material information on their products is presented in a way that is decision-useful for retail investors. This should be considered in the context of the Consumer Duty.

## Next steps

The Government's CP closes on 3 March 2023. The FCA's DP closes on 7 March 2022. The FCA will conduct consumer testing before it consults on new rules in due course.



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