

Policy Statement

PS16/23

# Smarter Consumer Communications: Removing ineffective disclosure requirements in our Handbook



October 2016



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In this Policy Statement we report on the main issues arising from *Consultation Paper CP15/32 Smarter Consumer Communications: Removing ineffective disclosure requirements in our Handbook*

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We have developed the policy in this underlying rules in the context of the existing UK and EU regulatory framework. We will keep the policy under review to assess whether any amendments will be required due to changes in the UK regulatory framework, including as a result of any negotiations following the UK's vote to leave the EU.

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## Abbreviations used in this paper

<b>ABI</b>	Association of British Insurers
<b>AFM</b>	Authorised Fund Manager
<b>CFPPFM</b>	Consumer-Friendly Principles and Practises of Financial Management
<b>CBA</b>	Cost benefit analysis
<b>CIDD</b>	Combined Initial Disclosure Document
<b>COBS</b>	Conduct of Business sourcebook
<b>COLL</b>	Collective Investment Schemes sourcebook
<b>CP</b>	Consultation Paper
<b>DP</b>	Discussion Paper
<b>FSA</b>	Financial Services Authority
<b>ICOBS</b>	Insurance: Conduct of Business sourcebook
<b>IDD</b>	Initial Disclosure Document
<b>KFD</b>	Key Features Document
<b>KFI</b>	Key Features Illustration
<b>KID</b>	Key Information Document
<b>MCOB</b>	Mortgages and Home Finance: Conduct of Business Sourcebook
<b>MCOB</b>	Mortgages and Home Finance: Conduct of Business Sourcebook
<b>PPFM</b>	Principles and Practices of Financial Management
<b>PRIIPs</b>	Packaged Retail and Insurance-based Investment Products
<b>SCDD</b>	Services and Cost Disclosure Document
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities



# 1. Overview

## Introduction

- 1.1** In June 2015, we published a Discussion Paper (DP) on Smarter Consumer Communications. This marked the launch of our Smarter Consumer Communications initiative and started a debate around how the FCA, industry, consumer groups and other stakeholders can work together to deliver information to consumers in more effective ways.
- 1.2** In October 2015, as part of the Smarter Consumer Communications initiative, we consulted on proposals to remove ineffective disclosure requirements from our Handbook. This formed part of our commitment to create a sustainable regulatory framework and drive improvements in the effectiveness of consumer communications. The proposals affected the following disclosures:

	Document	Description
Requirements	The 'Consumer-Friendly Principles and Practices of Financial Management' (CFPPFM) (pre-sale document)	Customer disclosure setting out the firm's approach to managing and operating its with-profit business, including its approach to setting bonus rates, smoothing and market value reductions.
	Short report (post-sale document).	Half-yearly, disclosure report produced for investors in retail authorised funds showing the most useful and relevant information about the fund's performance and activities during the year or half-year under review.
Guidance	The Initial Disclosure (IDD)/Combined Initial Disclosure Document (CIDD).	These are templates introduced by MCOB and ICOBS disclosure rules that firms can use to disclose their services and the cost of those services.
	Combined Initial Disclosure Document (CIDD)/ Services and Costs Document (SCDD).	These are templates introduced by COBS disclosure rules that firms can use to disclose their services and the cost of those services.

- 1.3** This Policy Statement (PS) summarises the feedback we received about the proposed changes to our rules. Based on the feedback we received, we have decided to proceed with our proposal to remove the rules or guidance around these disclosures.
- 1.4** Together with this Policy Statement, we are also publishing the Feedback Statement to our Discussion Paper on Smarter Consumer Communications which summarises the responses and outlines how we plan to take forward further work on this important initiative.

### Who does this affect?

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- 1.5 The changes to the CFPPFM will be of interest to insurance companies operating with-profits business, their customers, potential customers and firms providing advice on this business.
- 1.6 The changes to the short report will be of interest to authorised fund managers (AFMs) of Undertakings for Collective Investment in Transferable Securities (UCITS) schemes and non-UCITS retail schemes, and service providers such as platforms or third-party administrators.
- 1.7 The changes to the IDD and CIDD will be of interest to home finance and investment firms as well as general insurance firms.
- 1.8 Deleting the template for the SCDD will be of interest to all firms that offer advice to retail clients or arrange transactions for them in relation to packaged products.

### Is this of interest to consumers?

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- 1.9 The changes to our rules set out in this PS may be of interest to retail consumers who may buy or seek advice on investments, including with-profit insurance products, mortgages, and general insurance products.

### Summary of feedback and our response

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#### The CFPPFM

- 1.10 The majority of respondents agreed with our proposal to remove the requirement for firms operating with profit business to produce a CFPPFM document. A small number of respondents argued that some consumers find the document helpful and, in the absence of an alternative disclosure, firms should continue to produce this disclosure.
- 1.11 In this PS we outline how, having considered the feedback received, we are proceeding to remove the requirement for firms to produce the CFPPFM. Firms will still have to consider the information needs of consumers but they will have greater freedom to decide how to engage with them.

#### Short report

- 1.12 All respondents supported our proposals to remove the requirement for AFM of UCITS schemes and non-UCITS retail schemes to produce a short report. We have therefore decided to proceed with this proposal.

#### The IDD, CIDD and SCDD for insurance, home finance and investment firms

- 1.13 The significant majority of respondents to our consultation supported our proposal to remove the IDD, CIDD and SCDD templates from our Handbook. A number of respondents welcomed the scope this gave them to design their communications around the needs of their customers. In light of this feedback, we have decided to proceed with this proposal.

### Next steps

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- 1.14** The changes to our Handbook set out in this Policy Statement will take effect from 27 March 2017, except for the removal of the rules for short reports and the CFPPFM which will take effect from 22 November 2016.

## 2. Consumer Friendly Principles and Practices of Financial Management (CFPPFM)

- 2.1** The Consumer Friendly Principles and Practises of Financial Management (CFPPFM) was introduced in 2005. It was designed to give both potential and existing with-profits policyholders clear and understandable information about with profit policies. It did this by presenting the relevant information included in the full Principles and Practices of Financial Management (PPFM) in a clear and simple way. Potential with-profit policyholders receive this information at the point-of-sale and existing policyholders currently receive this on an annual basis, unless there has been no material change since it was last supplied. A firm also needs to make a CFPPFM publicly available on its website.
- 2.2** Feedback suggests few consumers read the document and, those who do, find it difficult to understand.
- 2.3** In CP15/32 we proposed to remove the requirement for firms operating with profit business to produce a CFPPFM. We received nine consultation responses about this proposed change, which we summarise below.

**Q1: *Do you have any comments on our proposal to remove the requirement to produce a CFPPFM from the Handbook?***

- 2.4** Most respondents supported our proposal to remove the requirement for firms to produce a CFPPFM. Some respondents said that, in their experience, consumers did not engage with the CFPPFM or find it useful. Some respondents also noted how the proposal would allow firms greater freedom to produce more innovative and tailored disclosures for consumers.
- 2.5** However, a minority of respondents said they found that their customers do find the information provided in the CFPPFM useful. These respondents were concerned about consumers' ability to access information about their with-profits contract if they stopped producing the CFPPFM.

### Our response

Based on the feedback received, we have decided to remove the requirement for firms operating with-profit business to produce a CFPPFM.

Based on the feedback received, we have decided to proceed with our plan to remove the requirement for firms operating with-profit business to produce a CFPPFM.

We note that two firms believe their customers would benefit from being able to continue to access the CFPPFM. Firms are free to continue making the CFPPFM available to consumers, but there will be no regulatory obligation to do so. This means firms will have greater freedom around the design and content of any disclosure they make available to consumers.

We require all firms, as part of our Principles for Businesses, to have due regard to the information needs of their consumers, and communicate with them in a way which is fair, clear and not misleading. Even though we are removing the requirement for firms to produce the CFPPFM, it is essential that all firms consider the information needs of consumers. We expect firms that stop producing the CFPPFM to consider how they can ensure consumers continue to access key information about their policy including information they currently get from existing disclosures, as well as forthcoming initiatives such as the Packaged Retail and Insurance-based Investments Regulation (PRIIPs).<sup>1</sup>

In CP15/32, we published a cost benefit analysis which concluded that removing the requirement for firms to produce the CFPPFM was unlikely to impose a significant increase in costs for firms. Since publishing the consultation, we have estimated the costs firms incur when producing the CFPPFM to be around £500,000 per year for the industry. This estimate is based on a number of factors:

- In CP04/14 and PS05/1 we estimated that, based on data from the Association of British Insurers (ABI), the annual cost of producing the CFPPFM varied between £5,000 and £110,000 per firm. However, this estimate was made in 2004. Taking into account process efficiencies and a reduction in the amount of new with-profit business, we consider today's costs are likely to be towards the lower end of this estimate – about £10,000 per firm per year.
- We consider this is a reasonable estimate given firms need to review the contents of their CFPPFM annually, make updated versions available on the web and give them to existing policyholders.
- Reflecting that there are currently 52 firms either writing new with-profit business or with in force with-profit business, we estimate an annual cost to review and produce the CFPPFM of around £500,000 per year.

If all firms stopped producing the CFPPFM there would be a potential cost saving for industry. However, we note from consultation responses that two firms may decide to continue providing this information to their customers as they feel that their customers find this information useful. In line with Principle 7, we expect all firms to consider whether they should provide with-profit customers with information in other ways, instead of the CFPPFM, so they can make effective decisions about their with-profits policy. This will potentially generate one-off costs and, if additional information is provided to consumers, ongoing costs.

We consider that costs (e.g. research costs) incurred purely to *understand* customers' information needs and how well they are being met are part of the baseline cost of complying with our Principles for Business. The remaining costs of designing and testing elements other than the raw information to be provided are likely to be smaller than the cost of producing the CFPPFM. On this basis we still believe there is a potential for savings for a number of firms.

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<sup>1</sup> PRIIPs is an EU Regulation which takes effect on 31 December 2016. It will mean consumers of retail investment products can access a Key Information Document (KID) which has important information about their investment. Further details of the Regulation is available at: [www.fca.org.uk/firms/priips-disclosure-key-information-documents](http://www.fca.org.uk/firms/priips-disclosure-key-information-documents). We are monitoring the current situation around the Regulatory Technical Standards for PRIIPs, and, where appropriate, the final rules will reflect any relevant developments.

## 3. Short report

- 3.1** Our rules currently require AFMs to prepare an annual report and a half-yearly short report for each UCITS scheme and non-UCITS retail scheme they manage.
- 3.2** Short reports were introduced in 2004 because we considered the annual manager's report was so long and detailed that most retail investors found it difficult to understand. The short report was intended to summarise the most useful and relevant information about a fund's performance and activities during the time period under review.
- 3.3** However, since the short report was introduced, we have received feedback that it does not meet the original aim of providing clear and focused information about an investment fund. In light of this feedback, we consulted on removing the requirement for producing it. Ten respondents commented on this proposal.

**Q2: *Do you agree with our proposal to delete the requirement on firms to produce a short report?***

- 3.4** All respondents to our consultation supported the proposal to remove the requirement for firms to produce the short report. A number of respondents agreed that, in their experience, consumers did not get much benefit from the short report because of its format and complexity. A number of respondents also highlighted how, by removing the requirement to produce the short report, we will be removing a regulatory obligation which goes beyond that required by the Undertakings for the Collective Investment in Transferable Securities (UCITS) Directive.<sup>2</sup>

### Our response:

Reflecting the responses received, we have decided to remove the requirement for AFMs of UCITS schemes and non-UCITS retail schemes to produce the short report.

In CP15/32, we published a cost benefit analysis which outlined how we considered that our proposal was unlikely to impact investors. Our analysis also suggested a potential cost saving for firms, although we did not estimate the likely scale of this saving.

Although we received no comments on our cost benefit analysis from consultation respondents, since publishing CP15/32 we have estimated the likely cost saving for firms. We estimate that removing the requirement to

<sup>2</sup> Undertakings for the Collective Investment in Transferable Securities Directive 2014/91/EU amending Directive 2009/65/EC. Undertakings for the Collective Investment in Transferable Securities Directive 2014/91/EU amending Directive 2009/65/EC.

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produce the short report will save firms £15.3m a year. This estimate is based on the following methodology:

- Based on industry data, we estimate that firms produce and distribute between 6.7m and 8.1m short reports a year.
- Although short reports vary in length, they average 8 to 12 pages. Based on typical costs, we estimate the cost of printing, packaging and distributing the report is likely to vary between £1.67 and £2.19 per report.
- We estimate that it will typically take firms around 6-12 hours of a senior person's time per year to prepare the contents of the report, which increases the unit price of each short report to between £1.79 and £2.27.
- Based on the estimate for the number of short reports produced every year, and the unit cost, we estimate that removing the requirement will save firms around £11.8m - £18.8m per year, with a central estimate of £15.3m.

The obligation to produce and publish short reports will cease to apply from 22 November 2016. AFMs should proceed to publish and distribute any short reports due before that date, but can choose to discontinue doing so from then on. Firms are free to continue making short reports available to consumers, but there will be no regulatory obligation to do so.

Firms should consider how they will communicate the decision to discontinue the production of short reports and how they plan to deal with any requests for information about how the fund has been managed. Even though we are removing the requirement for firms to produce short reports, it is essential that all firms consider the information needs of consumers

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## 4.

# The Initial Disclosure Document (IDD), Combined Initial Disclosure Document (CIDD) and Services and Costs Disclosure Document (SCDD)

### The IDD and CIDD

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- 4.1** Our rules require insurance, home finance and investment firms to disclose information about their services, associated costs and the firm's status. Our Handbook includes templates of the IDD and CIDD, which firms can use to disclose this information. The IDD template covers circumstances where one service is being provided to a consumer and the CIDD is an expanded template where a firm covers more than one market.
- 4.2** In CP15/32 we proposed to remove these templates from our Handbook. This was because we were concerned that they created a 'tick box' approach to disclosure and may be restricting firms from finding better ways to give consumers this information.
- 4.3** In the consultation, we explained that some firms may wish to continue presenting the information in the IDD or CIDD templates. We commented that firms could continue presenting the information in the style of the template, although they would not be able to use the template itself or continue to use the Key Facts Logo after our rule changes come into force. However, as firms might have old stocks of documents with the Key Facts Logo, we proposed to allow a reasonable time between the final rules being made and their coming into force. This would allow firms to use up old stocks of the documents with the Key Facts Logo.
- Q3: *Do you agree to the proposed deletion of the IDD and CIDD from both MCOB and ICOBS?***
- 4.4** All six respondents to this proposal supported our intention to remove the IDD and CIDD templates from our Handbook. Several respondents suggested that removing the templates would encourage firms to move away from a tick box approach and towards providing more tailored, innovative and effective consumer communications.
- 4.5** One industry body also welcomed our acknowledgement that firms could continue to present the information in a similar way to that in the templates and use old stocks of documents with the Key Facts Logo until the new rules come into force.
- 4.6** One firm suggested that it would be helpful for a checklist of the required disclosures to be included in the Handbook, given that the template previously performed this task.

### Our response

We are pleased that a number of respondents indicated that the removal of the IDD and CIDD templates from our Handbook would encourage firms to develop communications better tailored to their customers' needs. This is a key driver of the Smarter Consumer Communications initiative.

Reflecting the responses received, we have decided to implement the proposal and remove the IDD and CIDD templates from our Handbook. However, insurance firms should note that the Insurance Distribution Directive (2016/19/EU) will introduce new disclosure requirements, including a new standardised form called the Insurance Product Information Document, for non-life insurance products.

We have decided not to introduce a checklist of the required disclosures included in the Handbook, as we are concerned this will reintroduce a tick box approach to providing information to consumers.

### Conduct of Business sourcebook (COBS) disclosure rules

- 4.7** COBS currently includes a template for the Services and Costs Disclosure Document (SCDD). This brings together the key information about services in the IDD and information about the cost of services in one document. The SCDD is similar in style to the IDD but less prescriptive about the cost of services, giving firms greater flexibility to explain the cost of their services.
- 4.8** Anecdotal evidence suggests that the template is leading to firms duplicating the information they provide to consumers. We are concerned both that this could create information overload for consumers and that it may make some firms adopt a tick-box approach to giving consumers this information.
- 4.9** In line with our Smarter Consumer Communications initiative, we want to create an environment where firms have flexibility to decide the best ways to communicate key information to consumers. We therefore consulted on removing the SCDD template as well as the CIDD template from COBS. A firm can choose to continue presenting the information in the same way as in the templates, but will no longer be able to use the Key Facts Logo once the new rules come into force.

**Q4: Do you agree with our proposed deletion from COBS of the template for the Services and Costs Disclosure Document and Combined Initial Disclosure Document and the consequent deletion of COBS 6.3?**

- 4.10** Most respondents supported our proposal to remove the SCDD and CIDD templates from COBS. Several respondents highlighted how the move away from a prescriptive format and tick box style of disclosure will allow firms to communicate with consumers in more informative and innovative ways.

- 4.11** One respondent expressed concern that firms could hide the important information currently disclosed in the SCDD or CIDD template in other disclosures they provide. This could hamper consumers' being able to make an informed decision about the services they subscribe to. This may have the effect of restricting competition within the relevant markets.

#### **Our response**

Reflecting the responses received, we have decided to proceed with our proposal to remove the SCDD and CIDD templates from COBS.

We note the comments that removing this template could have the unintended consequence of reducing the level of transparency about this important information. We expect all firms to communicate in a way which is clear, fair and not misleading and to consider the information needs of their customers. This includes ensuring important information, such as the scope and cost of a service, is made clear.

In CP15/32, we published a cost benefit analysis of our proposal to remove IDD, CIDD and SCDD templates from our Handbook. We concluded that this proposal could lead to minimal incremental costs for firms. Because these costs are minimal and we did not receive any comments on this analysis we have not made further estimates of the costs and benefit of this change.

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# Annex 1

## List of non-confidential respondents

Aberdeen Asset Management

ABI

Aegon

Aviva With Profits Committee

AXA

British Gas

Compliance Management Services

Council of Mortgage Lenders

DATA

Financial Data Services

International Financial Data Services

Investment Association

Legal and General

Liverpool Victoria

NFU Mutual

Openwork Limited

Share

Standard Life

TISA

Virgin Money



# Appendix 1

## Made rules (legal instrument)

**DISCLOSURE DOCUMENTS (AMENDMENT NO 2) INSTRUMENT 2016****Powers exercised**

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) the following sections of the Act:
- (a) section 137A (The FCA’s general rules);
  - (b) section 137T (General supplementary powers);
  - (c) section 139A (Power of the FCA to give guidance);
  - (d) section 247 (Trust scheme rules);
  - (e) section 248 (Scheme particulars rules);
  - (f) section 261I (Contractual scheme rules); and
  - (g) section 261J (Contractual scheme particulars rules); and
- (2) regulation 6(1) of the Open-ended Investment Companies Regulations 2001 (SI 2001/1228).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force as follows:
- (1) Part 1 of Annex A (Glossary), Part 1 of Annex C (COBS) and Annex F (COLL) come into force on 22 November 2016; and
  - (2) the remainder of this instrument comes into force on 27 March 2017.

**Amendments to the Handbook**

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2) below:

(1)	(2)
Glossary of definitions	Annex A
General Provisions (GEN)	Annex B
Conduct of Business sourcebook (COBS)	Annex C
Insurance: Conduct of Business sourcebook (ICOBS)	Annex D
Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)	Annex E
Collective Investment Schemes sourcebook (COLL)	Annex F

**Citation**

- E. This instrument may be cited as the Disclosure Documents (Amendment No 2) Instrument 2016.

By order of the Board  
22 September 2016

## Annex A

## Amendments to the Glossary of definitions

Delete the following definitions.

**Part 1: Comes into force 22 November 2016**

*CFPPFM* the consumer-friendly version of a *firm's PPFM*, which must be produced pursuant to *COBS 20.4.5R*.

**Part 2: Comes into force 27 March 2017**

*combined initial disclosure document* information about the breadth of advice, *scope of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* in relation to either:

- (a) two or more of the following:
  - (i) *packaged products* or, for basic advice, *stakeholder products* that are not a *group personal pension scheme* or a *group stakeholder pension scheme* (but only if a *consultancy charge* will be made);
  - (ii) *non-investment insurance contracts*;
  - (iii) *home finance transactions* (other than *regulated sale and rent back agreement*); or
- (b) *home finance transactions* (other than *regulated sale and rent back agreements*) only;

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, *COBS 6 Annex 2*.

*initial disclosure document* information about the *scope of advice* and the nature of the services offered by a *firm* in relation to a non-investment insurance contract in accordance with *ICOBS 4.5.1G* and set out in *ICOBS 4 Annex 1*.

*services and costs disclosure document* information about the breadth of advice or *scope of basic advice* and the nature and costs of the services offered by a *firm* as described in *COBS 6.3.7G*, which contains the keyfacts logo, headings and text described in *COBS 6 Annex 1*.

## Annex B

## Amendments to the General Provisions (GEN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

## 5 Annex Licence for use of the FSA and keyfacts logos

## 1

...	
<b>Permission to use the keyfacts logo</b>	
3A.1	...
3A.2	The following are examples of places where the <i>rules</i> require or permit the keyfacts logo to be used:
	(1) <del>In COBS, in a services and costs disclosure document or combined initial disclosure document (COBS 6.3) [deleted]</del>
	(2) In ICOBS:
	(a) <del>in an initial disclosure document or combined initial disclosure document; [deleted]</del>
	...
	(3) In MCOB:
	(a) <del>in an initial disclosure document or combined initial disclosure document; [deleted]</del>
	...

## Annex C

## Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

**Part 1: Comes into force 22 November 2016**

**20 With-profits**

**20.1 Application**

...

20.1.3 R For an *EEA insurer*:

...

(3) the *rule* on providing information to *with-profits policyholders* where the *United Kingdom* is the *State of the commitment* (COBS 20.4.4R) ~~and the *rule* on production and provision of a *CFPPFM* (COBS 20.4.5R) apply~~ applies, but the rest of COBS 20.4 (Communications with *with-profits policyholders*) does not; and

(4) ~~the *rule* on production and provision of a *CFPPFM* (COBS 20.4.5R) applies as if a reference to a *firm* was a reference to an *EEA insurer* in relation to any of its *with-profits policyholders* where the *State of commitment* is the *United Kingdom*; and [deleted]~~

(5) ...

...

**20.2 Treating with-profits policyholders fairly**

...

Support arrangements

20.2.34A R (1) A *Solvency II firm* must ensure that, in relation to any arrangements where assets outside a *with-profits fund* provide or may provide support to it, both the following requirements are met:

(a) the precise terms and conditions on which those support asset arrangements operate and assets may become available, including whether and when they are repayable:

(i) are adequately documented in the *firm's* records; and

(ii) if the *firm* is required to produce a *PPFM*, are set out clearly and unambiguously in its *PPFM*, ~~and an~~

~~appropriate description is set out in the CFPPFM;~~

- (b) the operation of those support asset arrangements is consistent with terms and conditions in communications to *with-profits policyholders*, including any *PPFM* and *CFPPFM*.

...

## 20.4 Communications with with-profits policyholders

...

### Consumer friendly PPFM

#### 20.4.5 R A *firm* must:

- (1) ~~produce a CFPPFM describing the most important information set out under each of the headings in its PPFM and keep it up to date as the PPFM changes over time;~~
- (2) ~~express its CFPPFM in clear and plain language that can be easily understood by a with-profits policyholder, or potential with-profits policyholder who does not possess any specialist or technical knowledge;~~
- (3) ~~provide its CFPPFM free of charge with any:~~
  - (a) ~~written notice sent to with-profits policyholders on proposed changes to its with-profits principles (where the firm must provide the version of the CFPPFM in use before the changes if this has not already been provided);~~
  - (b) ~~annual statements sent to its with-profits policyholders (unless there has been no material change in the CFPPFM since it was last supplied); and~~
  - (c) ~~key features document for a with-profits policy; and~~
- (4) ~~make its CFPPFM publicly available and prominently signpost the availability on its website. [deleted]~~

#### 20.4.6 G A *firm* may include the information set out in its *CFPPFM* in any other document it produces. [deleted]

...

## Part 2: Comes into force 27 March 2017

## 6.1A Adviser charging and remuneration

...

- 6.1A.21 G ~~A firm may meet the disclosure requirements in this section by using a *services and costs disclosure document* or a *combined initial disclosure document* (COBS 6.3 and COBS 6 Annex 1G or COBS 6 Annex 2). [deleted]~~

...

## 6.1C Consultancy charging and remuneration

...

Requirement not to make a consultancy charge in certain circumstances

- 6.1C.20 R ...

Disclosure to employees

- 6.1C.20A R A firm must take reasonable steps to ensure that its *representatives*, when making contact with an employee with a view to giving a *personal recommendation* on his or her employer's *group personal pension scheme* and/or *group stakeholder pension scheme*, inform the employee:

- (1) that the *firm* will be providing a *personal recommendation* on a *group personal pension scheme* and/or *group stakeholder pension scheme* provided by the employer;
- (2) whether the employee will be provided with a *personal recommendation* that is restricted to the *group personal pension scheme* or *group stakeholder pension scheme* provided by the employer or the recommendation will also cover other products; and
- (3) that the employee will have to pay an *adviser charge* (if applicable) unless the *representative* is making contact pursuant to an agreement made between the *firm* and the employer under which the *firm* is remunerated by *consultancy charging* or a fee payable by the employer.

...

## 6.2A Describing advice services

...

- 6.2A.8 G ~~A firm may meet the disclosure requirements in the *rule* on describing the breadth of a *firm's* advice service (COBS 6.2A.5R) and the *rule* on content and wording of disclosure (COBS 6.2A.6R) by using a *services and costs disclosure document* or a *combined initial disclosure document* (COBS 6.3 and COBS 6 Annex 1G or COBS 6 Annex 2). [deleted]~~

...

Delete the text of the following section. The deleted text is not shown.

### **6.3 Disclosing information about services, fees and commission [deleted]**

Delete the text of the following two annexes. The deleted text is not shown.

**6 Annex 1 Services and costs disclosure document described in COBS 6.3.7G(1) [deleted]**

**6 Annex 2 Combined initial disclosure document described in COBS 6.3, ICOBS 4.5 and MCOB 4.4A.20G [deleted]**

...

### **7.2 Information to be provided by the insurance intermediary**

...

#### ~~Interface with the services and costs disclosure document~~

7.2.2 G ~~A firm will satisfy elements of the requirement immediately above if it provides a services and costs disclosure document or a combined initial disclosure document to a client (see COBS 6.3). [deleted]~~

...

7.2.2B G ~~A firm may provide a services and costs disclosure document or a combined initial disclosure document to a client who buys a non-advised life policy. [deleted]~~

Amend the following as shown.

### **9.6 Special rules for giving basic advice on a stakeholder product**

...

9.6.6 G (1) ~~A firm may give a retail client the basic advice initial disclosure information (COBS 9 Annex 1) as part of:~~

(a) ~~a services and costs disclosure document; or~~

(b) ~~a combined initial disclosure document if it has reasonable grounds to believe that it will provide services relating to a stakeholder product and a non-investment insurance contract, a regulated mortgage contract, an equity release transaction or a home purchase plan.~~

(2) ~~If a firm provides a services and costs disclosure document or combined initial disclosure document to a retail client it will comply with the requirements under:~~

(a) ~~COBS 2.2.1R(1)(a) and COBS 2.2.1R(1)(d);~~

(b) ~~COBS 9.6.5R(1) and COBS Annex 1;~~

(c) ~~the items of distance marketing information set out in paragraphs (1), (2), (4), (5), (19) and (20) of COBS 5 Annex 1R; and~~

(d) ~~any duties that apply to it under the rule on information to be provided by the insurance intermediary (COBS 7.2.1R(1) and 2)). [deleted]~~

9.6.6A G ...

9.6.7 R ~~For the purposes of GEN 5, a firm may not use the keyfacts logo in relation to any document that is designed to comply with rules in COBS 9.6 or COBS 7 unless it is a services and costs disclosure document or combined initial disclosure document produced in accordance with templates and notes in the annexes to COBS 6. [deleted]~~

...

## Annex D

### Amendments to the Insurance: Conduct of Business sourcebook (ICOBS)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Delete the text of ICOBS 4.5, as shown.

#### 4.5 Initial disclosure document [deleted]

- 4.5.1 G Using an *initial disclosure document* (see *ICOBS 4 Annex 1G*) or *combined initial disclosure document* satisfies the status disclosure, scope of service and *fee* disclosure requirements if it is used in accordance with its notes and provided to the *customer* at the correct time.

Delete the text of the following Annex. The deleted text is not shown.

#### 4 Annex 1G Initial disclosure document [deleted]

## Annex E

### Amendments to the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

#### 1.2 General application: who? what?

...

Business loans and loans to high net worth mortgage customers: additional requirements if tailored route is used

1.2.7 R In relation to a *regulated mortgage contract* for a business purpose or with a *high net worth mortgage customer*, if a *firm* has opted for the tailored route, it must adopt the following modifications to the sourcebook:

- (1) ~~(except in relation to sections 5 and 8 of any *combined initial disclosure document*)~~ substitute an alternative description of the facility provided under the *regulated mortgage contract* for ‘mortgage’ where that term is used in any disclosure;

...

...

#### 4.4A Initial disclosure requirements

...

Additional disclosure where the services are to be provided to a consumer under a distance contract

...

4.4A.20 G ~~If used in accordance with its notes and provided to the *customer* at the correct time, using a *combined initial disclosure document* in a durable medium may satisfy the requirements of *MCOB 4.4A.18R*, though *firms* should consider whether it contains all the contractual terms and conditions of the *distance contract*. [deleted]~~

...

#### 4.9 Business loans and loans to high net worth mortgage customers: tailored provisions

...

Initial disclosure document

- 4.9.4 G (1) *Firms* are reminded that *MCOB 1.2.7R* enables them to substitute an alternative for ‘mortgage’ in the initial disclosure in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* ~~(except in relation to sections 5 and 8 of any combined initial disclosure document).~~
- (2) ~~*MCOB 1.2.7R* also means that a *firm* should amend any combined initial disclosure document in relation to a regulated mortgage contract for a business purpose or a high net worth mortgage customer so that the final sentence of prescribed text in section 4 states: ‘You will receive an illustration which will tell you about any fees relating to a particular [term used by the firm to describe the borrowing, for example “secured overdraft”]’. [deleted]~~
- (3) Where the initial disclosure in relation to a *regulated mortgage contract* for a business purpose or a *high net worth mortgage customer* makes reference to the permitted business of a *firm*, ~~(for example, sections 5 and 8 of the combined initial disclosure document may refer to a firm advising on or arranging regulated mortgage contracts)~~ a *firm* can add text explaining the relevance of these descriptions. One approach may be to add an additional sentence such as: ‘Secured overdrafts are referred to here as “mortgages” because they involve a charge being taken over your property’.

## Annex F

### Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

**This Annex comes into force 22 November 2016.**

#### 4.2 Pre-sale notifications

...

Table: contents of the prospectus

4.2.5 R This table belongs to *COLL* 4.2.2R (Publishing the prospectus)

...		
Reporting, distributions and accounting dates		
4	...	
	(b)	procedures for:
		...
	(iii)	if relevant, calculating, paying and accounting for <i>income equalisation</i> ; <u>and</u>
	(c)	the <i>accounting reference date</i> and when the long report will be published in accordance with <i>COLL</i> 4.15.14R (Publication and availability of annual and half-yearly long report); <del>and</del>
	(d)	<del>when the short report will be sent to <i>unitholders</i> in accordance with <i>COLL</i> 4.5.13R (Provision of short report).</del> <u>[deleted]</u>
...		

...

#### 4.5 Reports and accounts

...

Explanation

4.5.2 G In order to provide the *unitholders* with regular and relevant information about the progress of the *authorised fund*, the *authorised fund manager* must:

- (1) prepare a ~~short report and~~ a long report half-yearly and annually; and
- (2) send the short report to all *unitholders*; and [deleted]
- (3) make the long report available to *unitholders* on request.

Preparation of long ~~and short~~ reports

- 4.5.3 R (1) The *authorised fund manager* must for each *annual accounting period* and *half-yearly accounting period*, prepare a ~~short report and~~ a long report for a *scheme*.
- (2) ~~For a *scheme* which is an *umbrella*, the *authorised fund manager* must prepare a short report for each *sub fund* but this is not necessary for the *umbrella* as a whole. [deleted]~~
- ...

...

Contents of a short report

- 4.5.5 R (1) ~~The short report for an *authorised fund*, or for a *scheme* which is an *umbrella*, its *sub fund*, must contain for the relevant period:~~
- (a) (i) ~~the name of the *scheme* or *sub fund*;~~
  - (ii) ~~its stated investment objectives and the policy and strategy pursued for achieving those objectives;~~
  - (iii) ~~a brief assessment of its risk profile;~~
  - (iv) ~~in the case of a *UCITS scheme*, the figure for the *synthetic risk and reward indicator* disclosed in its most up to date *key investor information document* and any subsequent changes to that figure during that period; and~~
  - (v) ~~the name and address of the *authorised fund manager*;~~
  - (b) ~~a review of the *scheme* or *sub fund's* investment activities and investment performance during the period;~~
  - (c) ~~a performance record consistent with *COLL 4.5.10R(1)* (Comparative table) so as to enable a *unitholder* to put into context the results of the investment activities of the *scheme* during the period;~~
  - (d) ~~sufficient information to enable *unitholders* to form a view on where the portfolio is invested at the end of the period and the extent to which that has changed over the period;~~

- (e) ~~any other significant information which would reasonably enable *unitholders* to make an informed judgement on the activities of the *scheme* or *sub-fund* during the period and the results of those activities at the end of the period; and~~
  - (f) ~~a statement that the latest long report is available on request.~~
- (1A) ~~The short report of a *UCITS scheme* which is a *feeder UCITS* must also include:~~
- (a) ~~in relation to each *annual accounting period* only, a statement on the aggregate charges of the *feeder UCITS* and the *master UCITS*;~~
  - (b) ~~a description of how the annual and half-yearly long reports of its *master UCITS* can be obtained; and~~
  - (c) ~~where the *master UCITS* is a *UCITS scheme*, a description of how its annual and half-yearly short reports can be obtained.~~
- ~~[Note: article 63(2) of the *UCITS Directive*]~~
- (1B) ~~The short report of a *feeder NURS* must also include:~~
- (a) ~~in relation to each *annual accounting period* only, a statement on the aggregate charges of the *feeder NURS* and its *qualifying master scheme*;~~
  - (b) ~~a description of how the annual and half-yearly long reports (or nearest equivalent documents for a *qualifying master scheme* that is a *recognised scheme*) of its *qualifying master scheme* can be obtained; and~~
  - (c) ~~where the *qualifying master scheme* is a *UCITS scheme* or *non-UCITS retail scheme*, a description of how the annual and half-yearly short reports of its *qualifying master scheme* can be obtained.~~
- (2) ~~The *authorised fund manager* must take reasonable steps to ensure that the short report is structured and written in such a way that it can be easily understood by the average investor.~~
- (3) ~~The short report must form a separate stand-alone *document* which must not include any extraneous material.~~
- (4) ~~The inclusion in a single *document* of the short reports of more than one of an *authorised fund manager's schemes* with the same accounting periods, or of more than one *sub-fund* in an *umbrella*, is not a contravention of (3) if each such report is discrete and easily identifiable.~~

- (5) ~~The *authorised fund manager* must ensure that the information given in the short report is consistent with the long report for the relevant accounting period prepared under *COLL 4.5.7R* (Contents of the annual long report) or *COLL 4.5.8R* (Contents of the half yearly long report). [deleted]~~

Significant information to be contained in the short report

- 4.5.6 G For the purpose of *COLL 4.5.5R(1)(d)* and *COLL 4.5.5R(1)(e)* the *authorised fund manager* should consider including the following as sufficient and significant information:
- (1) ~~particulars of any fundamental change to the *scheme* which required *unitholder* approval by meeting during the period;~~
  - (2) ~~particulars of any significant change to the operation of the *scheme* requiring pre-notification, but this need only be given if the change impacts on the *unitholders*' ability to make an informed judgement on the activities of the *scheme*;~~
  - (3) ~~particulars of any other developments in relation to the investment policy and strategy of the *scheme*, or the instruments used by it during the period;~~
  - (4) ~~the total expense ratio at the end of the period or, in the case of a *UCITS scheme*, the ongoing charges figure together with (where appropriate) any performance related fee payable to the *authorised fund manager* or any investment adviser;~~
  - (5) ~~particulars of any qualification of the reports of the auditor and *depository*; and~~
  - (6) ~~particulars of any income or distribution relating to the period. [deleted]~~

...

~~Provision of short report~~

- 4.5.13 R (1) ~~The *authorised fund manager* must, within four *months* after the end of each *annual accounting period* and within two *months* after the end of each *half yearly accounting period*, respectively provide free of charge the short report in accordance with (2).~~
- (2) ~~The *authorised fund manager* must send a copy of the report:~~
- (a) ~~to each *unitholder* (or to the first named of joint *unitholders*) entered in or entitled to be entered in the *register* at the close of business on the last *day* of the relevant accounting period;~~
  - (b) ~~to each *unitholder* of bearer *units* at his request; and~~

- (e) ~~to any other person free of charge on request.~~
- (3) ~~Unitholders in a scheme which is an umbrella must be provided with a report relating to the particular sub-fund in which they hold units subject to providing the long report on the umbrella on request in accordance with COLL 4.5.14R(2)(a).~~
- (4) ~~The authorised fund manager must provide the reports in (1) and (3) to each unitholder:~~
  - (a) ~~in a durable medium; or~~
  - (b) ~~by means of a website that meets the website conditions.~~  
[deleted]

...

#### 4.6 Simplified Prospectus provisions

...

##### Contents of the simplified prospectus

4.6.8 R ...

...			
Additional information for a feeder NURS: Practical information			
26	where the <i>scheme</i> is a <i>feeder NURS</i> , information specific to the <i>feeder NURS</i> , including:		
	(a)	a statement that the following <i>documents</i> of the <i>qualifying master scheme</i> are available to <i>unitholders</i> of the <i>feeder NURS</i> upon request, and details of how they may be obtained:	
		...	
	(ii)	...	
		E	the nearest equivalent document for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i> ; <u>and</u>
	(iii)	the annual and half-yearly long reports (or nearest equivalent documents for a <i>qualifying master scheme</i> that is a <i>recognised scheme</i> ; and	
	(iv)	<del>where the <i>qualifying master scheme</i> is a <i>UCITS scheme</i> or <i>non UCITS retail scheme</i>, its annual and half yearly short reports; [deleted]</del>	

	...		
...			

...

**7.3 Winding up a solvent ICVC and terminating or winding up a sub-fund of an ICVC**

...

Reports and accounts

7.3.10 R (1) ~~The ACD need not (as would be required under COLL 4.5.13R (Provision of short report)) prepare a short report relating to an annual accounting period or half-yearly accounting period which begins after commencement of winding up or termination, if the directors of the ICVC, after consulting the depositary, have reasonably determined that this is not required in the interests of unitholders. [deleted]~~

(1A) ~~The ACD must consult with the depositary before determining that a short report is not required in the interests of unitholders. [deleted]~~

(2) ~~Where (1) applies~~ For any annual accounting period or half-yearly accounting period which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any unitholder upon request.

(3) ~~Where (1) applies, the~~ The ACD must ensure that it keeps unitholders appropriately informed about the winding up or termination including, if known, its likely duration.

...

7.3.10A G (1) The effect of ~~COLL 7.3.10R(1), if exercised by the directors of the ICVC~~, is that the ACD must continue to prepare annual and ~~half-annual~~ half-yearly long reports and to make them available to unitholders in accordance with COLL 4.5.14R.

...

...

**7.4 Winding up an AUT and terminating a sub-fund of an AUT**

...

Accounting and reports during winding up or termination

7.4.5 R (1) ~~For any annual or half-yearly accounting period which begins after commencement of the winding up or termination, the manager is not~~

required to prepare a short report (*COLL 4.5.13R (Provision of short report)*), provided that it has reasonably determined that the report is not required in the interests of the *unitholders*. [deleted]

(1A) ~~The *manager* must consult the *trustee* before determining that a short report is not required in the interests of *unitholders*. [deleted]~~

(2) ~~Where (1) applies~~ For any *annual accounting period* or *half-yearly accounting period* which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any *unitholder* upon request.

(2A) ~~Where (1) applies, the~~ The *manager* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination, including its likely duration.

...

7.4.6 G (1) The effect of *COLL 7.4.5R(1)*, if exercised by the ~~*manager* and *trustee*~~, is that the *manager* must continue to prepare annual and half-yearly long reports and to make them available to *unitholders* in accordance with *COLL 4.5.14R*.

...

#### 7.4A Winding up a solvent ACS and terminating a sub-fund of a co-ownership scheme

...

##### Accounting and reports during winding up or termination

7.4A.9 R (1) ~~For any *annual* or *half-yearly accounting period* which begins after commencement of the winding up or termination, the *authorised contractual scheme manager* is not required to prepare a short report (*COLL 4.5.13R (Provision of short report)*), provided that it has reasonably determined that the report is not required in the interests of the *unitholders*. [deleted]~~

(2) ~~The *authorised contractual scheme manager* must consult the *depository* before determining that a short report is not required in the interests of *unitholders*. [deleted]~~

(3) ~~Where (1) applies~~ For any *annual accounting period* or *half-yearly accounting period* which begins after commencement of the winding up or termination, a copy of the long report must be supplied free of charge to any *unitholder* upon request.

(4) ~~Where (1) applies, the~~ The *authorised contractual scheme manager* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination, including its likely duration.

...

- 7.4A.10 G (1) The effect of *COLL* 7.4A.9R(1), if exercised by the *authorised contractual scheme manager* and *depository*, is that the *authorised contractual scheme manager* must continue to prepare annual and half-yearly long reports and to make them available to *unitholders* in accordance with *COLL* 4.5.14R (Publication and availability of annual and half-yearly long report).

...

Financial Conduct Authority



**PUB REF: 005280**

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