



No.12

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# Handbook Notice

June 2014

Financial Conduct Authority





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## Handbook Notice 012

This Handbook Notice introduces the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative powers on 1 May and 5 June 2014. It also contains information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

Contact names for the individual modules are listed in the relevant Consultation Papers and Policy Statements referred to in this Notice.

General comments and queries on the Handbook can be addressed to:

**Saira Hussain**

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Email: [saira.hussain@fca.org.uk](mailto:saira.hussain@fca.org.uk)

**Melanie Purdie**

Tel: 020 7066 9066

Email: [mel.purdie@fca.org.uk](mailto:mel.purdie@fca.org.uk)

However, queries on specific requirements in the Handbook should be addressed first to your normal supervisory contact in the FCA. For most firms this will be the FCA's Firm Contact Centre:

Tel: 0845 606 9966

Fax: 020 7066 0991

Email: [fcc@fca.org.uk](mailto:fcc@fca.org.uk)

Post: Customer Contact Centre  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

# 1. Overview

## Legislative changes

- 1.1** On 1 May 2014, in addition to the instruments listed in the May Handbook Notice, the FCA Board made changes to the Handbook in one instrument listed in the table below.

CP	Title of instrument	Instrument No.	Changes effective
13/17	Conduct Of Business Sourcebook (Use of Dealing Commission) (Amendment No 2) Instrument 2014	2014/29	2.6.2014

- 1.2** On 5 June 2014, the FCA Board made changes to the Handbook in two instruments which are listed in the table below.

CP	Title of instrument	Instrument No.	Changes effective
Ch 3 13/4	Retail Distribution Review (Complaints Data) Instrument 2013	2014/35	9.6.2014
13/5	Client Assets Sourcebook (Amendment No 5) Instrument 2013	2014/36	1.7.2014 1.12.2014 1.6.2015

- 1.3** The FCA also approved FCA 2014/34 which will be published at a later date. The changes will be summarised in the next Handbook Notice.

## Summary of changes

- 1.4** The legislative changes referred to above are listed and briefly described in Chapter 2 of this Notice.

## Feedback on responses to consultations

- 1.5** Feedback to consultations are either set out in Chapter 3 of this Notice or published in separate Policy Statements.

**Forthcoming FCA board meetings**

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- 1.6** The table below contains a list of forthcoming FCA board meetings for 2014. These dates are subject to change without prior notice.

June	Thursday 26 June
July	Thursday 24 July
September	Thursday 25 September
November	Wednesday 5 or Thursday 6 November (date TBC)
December	Thursday 11 December

## 2. Summary of changes

- 2.1** This chapter briefly describes FCA Handbook changes and changes outside the Handbook made by the Board on 1 May and 5 June 2014. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the PRA please visit the PRA website.<sup>1</sup>

### ***Conduct Of Business Sourcebook (Use of Dealing Commission) (Amendment No 2) Instrument 2014 (FCA 2014/29)***

- 2.2** Following consultation in CP13/17<sup>2</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:

#### **Glossary of definitions COBS 11**

- 2.3** In summary, these changes:

- provide clarity and certainty to firms on our definition of research, in line with the intention of our existing rules and to aid ongoing supervision and enforcement
- provide guidance around our expectations that firms make adequate 'mixed-use' assessments where they buy bundled services that may include eligible and non-eligible items, such as market data services (eg, Bloomberg terminals), to ensure they only pay for eligible research with dealing commissions, and
- define corporate access and include a guidance provision indicating our position that it is not an acceptable form of research that can be paid for with commissions.

- 2.4** This instrument came into force on **2 June 2014**. Feedback to this consultation was published in a separate policy paper.<sup>3</sup>

### ***Retail Distribution Review (Complaints Data) Instrument 2014 (FCA 2014/35)***

- 2.5** Following consultation in CP13/4<sup>4</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:

#### **SUP DISP**

<sup>1</sup> [www.bankofengland.co.uk/pr/Pages/publications/default.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/default.aspx)

<sup>2</sup> CP13/17 *Consultation on the use of dealing commission rules* (November 2013)

<sup>3</sup> PS14/7 *Changes to the use of dealing commission rules* (May 2014)

<sup>4</sup> CP13/4 *Distribution of retail investments: referrals to discretionary investment managers and adviser complaints reporting* (July 2013)

- 2.6** We consulted on draft rules intended to capture complaints relating to all activities carried out as a retail investment adviser. In practice, certain activities, such as advising on securities and/or derivatives that are not classified as retail investments are not captured in the rules. In addition, 'retail investment activities' does not include two aspects of the definition of retail investment products, introduced as part of the Retail Distribution Review (RDR) rules.
- 2.7** In summary, these changes set the date when the adjustments to the rules come into force to coincide with an update to text of our data collection in GABRIEL (Gathering Better Regulatory Information Electronically), which is scheduled for 9 June 2014. Data System and Management have confirmed that the scheduled update for GABRIEL is on schedule as forecast. The instrument (and this Handbook Notice) confirms the proposed changes to the Handbook are being timed to coincide with the GABRIEL update.
- 2.8** This instrument comes into force on **9 June 2014**. Feedback to this consultation is published in Chapter 3 to this notice.

#### ***Client Assets Sourcebook (Amendment No 5) Instrument 2014 (FCA 2014/36)***

- 2.9** Following consultation in CP13/5<sup>5</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:
- Glossary of definitions**
  - COBS 6, 16**
  - CASS 1, 3, 6, 7, 8, 9, 10, 12, TP1, Sch 2**
  - SUP 3, 6, 12, 16**
- 2.10** In summary, this instrument introduced changes to rules in reference to client money, custody asset, client information, mandates, multiple client money sub-pools and indirect client clearing.
- 2.11** Parts of this instrument will come into force on **1 July** and **1 December 2014**. The rest of this instrument will come into force on **1 June 2015**. Feedback to this consultation was published in a separate policy paper.

<sup>5</sup> CP13/5 *Review of the client assets regime for investment business* (July 2013)

## 3. Consultation feedback

- 3.1** This chapter provides feedback on consultations that will not have a separate policy statement published by the FCA.

### ***Chapter 3 of CP13/4 Distribution of retail investments: referrals to discretionary investment managers and adviser complaints reporting***

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#### ***Retail Distribution Review (Complaints Data) Instrument 2013 (FCA 2014/35)***

##### ***Background***

- 3.2** From 9 June 2014, rules consulted on in CP13/4 will require complaints against individual advisers to be reported to us. This is to match the policy intention that complaints concerning activities when acting as a retail investment adviser should also be included, such as advice on shares and derivatives.
- 3.3** Under the Retail Distribution Review (RDR) we introduced a range of requirements for firms which focused on the professional standards of their retail investment advisers. The requirements include attaining qualifications as evidence of meeting initial standards, complying with ongoing behaviour standards and carrying out regular continuing professional development activities. Firms are also required to alert us of competence or behaviour issues among their advisers and inform us of complaints received about their advisers.
- 3.4** In Chapter 3 of CP13/4 we consulted on draft rules intended to capture complaints relating to all activities carried on as a retail investment adviser. In practice, certain activities, such as advising on securities and/or derivatives that are not classified as retail investments, are not captured in the rules. Further, 'retail investment activities' does not include two aspects of the definition of retail investment products that were introduced as part of the RDR rules.
- 3.5** Adjusting the rules to refer to activities carried on when acting as a retail investment adviser will align the scope of all the RDR professionalism rules to the same individuals and the activities they carry out. This will ensure that advisers are subject to the same standards and scrutiny - for example, if they advise on collective investment schemes or on shares or derivatives. We have now made the rules and guidance, to come into force on 9 June 2014.

##### ***Feedback***

- 3.6** We received six replies to Chapter 3 of CP13/4, including replies from two trade bodies and the Financial Services Consumer Panel.
- 3.7** All the respondents agreed with our proposals, with some confirming they were already reporting as proposed. One respondent said there would be no significant impact to firms as a result of the amendment and that it would create a level playing field.

***Our response***

- 3.8** We have not amended the rules consulted on in Chapter 3 of CP13/4 and intend to go ahead with the proposed changes. These changes are planned to coincide with an update to text in GABRIEL which is scheduled for 9 June 2014.

***Cost benefit analysis and compatibility statement***

- 3.9** As we have made no changes to the rules and guidance we consulted on, we consider that the cost benefit analysis and compatibility statement in CP13/4 are still valid.

***Equality and diversity issues***

- 3.10** We did not receive any feedback on our initial assessment that the proposals do not pose any equality or diversity issues. We continue to believe the changes do not give rise to unfair discrimination against protected groups.

- 3.11** The changes made by this instrument are listed in Chapter 2 of this Notice.

## 4. Additional information

### Making corrections

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- 4.1** The FCA reserves the right to make correctional or clarificatory amendments to the instruments made at the Board meeting without further consultation should this prove necessary or desirable.

### Publication of Handbook material

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- 4.2** This Notice is published on the FCA website and is available in hardcopy.
- 4.3** The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date and reference number at <http://fshandbook.info/FS/InstrumentsByDate.jsp> or listed by module at <http://fshandbook.info/FS/InstrumentsByModule.jsp>. The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4** The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5** The consolidated text of the Handbook can be found on the FCA's website at <http://fshandbook.info>.
- 4.6** Copies of the FCA's consultation papers referred to in this Notice are available on the FCA's website or on request in hardcopy form.

### Obligation to publish feedback

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- 4.7** This Notice, and the feedback to which paragraph 1.5 refers, fulfil for the relevant text made by the Board the obligations in sections 138I(4) and (5) and similar sections of the Financial Services and Markets Act 2000 ('the Act'). These obligations are: to publish an account of representations received in response to consultation and the FCA's response to them; and to publish (where applicable) details of any significant differences between the provisions consulted on and the provisions made by the Board, with a cost-benefit analysis and a statement under s138K(4) of the Act if a proposed altered rule applies to authorised persons which include mutual societies.

### Comments

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- 4.8** We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to Saira Hussain or Melanie Purdie (see contact details at the front of this Notice).

Financial Conduct Authority



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