



No.20

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# Handbook Notice

March 2015

Financial Conduct Authority





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## Handbook Notice 020

This Handbook Notice introduces the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative powers on 26 February, 6 and 24 March 2015. 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

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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 Contact Centre:

Tel: 0300 500 0597

Fax: 020 7066 0991

Email: [firm.queries@fca.org.uk](mailto:firm.queries@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 26 February 2015, the FCA Board made changes to the Handbook in the instruments listed below.

CP	Title of instrument	Instrument No.	Changes effective
N/A	Conduct of Business Sourcebook (Retirement Guidance Guarantee) Instrument 2015	2015/4	6.4.15
14/32	Benchmarks (Amendment) Instrument 2015	2015/6	1.4.15

- 1.2** On 6 March 2015, the FCA Board made changes to the Handbook in the instrument listed below.

CP	Title of instrument	Instrument No.	Changes effective
14/11	Standards for Designated Guidance Providers Instrument 2015	2015/9	6.4.15

- 1.3** On 24 March 2015, the FCA Board made changes to the Handbook in the instruments listed below.

CP	Title of instrument	Instrument No.	Changes effective
N/A	Handbook Administration (No 37) Instrument 2015	2015/11	1.4.15, 6.4.15, 6.4.16
14/26	Fees (Miscellaneous Amendments) (No 8) Instrument 2015	2015/12	1.4.15
14/26	Fees (Payment Systems Regulator) Instrument 2015	2015/13	1.4.15
14/26	Fees (Pensions Guidance) Instrument 2015	2015/14	1.4.15

CP	Title of instrument	Instrument No.	Changes effective
15/2	Financial Services Compensation Scheme (Management Expenses Levy Limit 2015/2016) (FCA) Instrument 2015	2015/15	1.4.15
14/02, 14/21	Listing Rules (Sponsors) (Amendment No 6) Instrument 2015	2015/19	1.4.15
14/27	Prospectus Rules (Amendment No 2) Instrument 2015	2015/20	31.3.15

- 1.4** FCA 2015/18 and FCA 2015/21 were also made by the FCA Board and will be published at a later date. The changes will be summarised in a future Handbook Notice.

### Summary of changes

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

### Feedback on responses to consultations

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

### FCA Board dates for 2015

- 1.7** The table below contains a list of forthcoming FCA board meetings for 2015. These dates are subject to change without prior notice.

April	24
May	No Board
June	4 and 18
July	2 and 30
August	No Board
September	24
October	22
November	4 and 5
December	3

## 2. Summary

- 2.1** This chapter briefly describes FCA Handbook changes made by the Board on 26 February, 6 and 26 March 2015. 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 see [www.bankofengland.co.uk/pr/Pages/publications/default.aspx](http://www.bankofengland.co.uk/pr/Pages/publications/default.aspx)

### ***Conduct of Business Sourcebook (Retirement Guidance Guarantee) Instrument 2015 (FCA 2015/4)***

- 2.2** The FCA Board has made changes to the FCA Handbook sections listed below:  
**Glossary of definitions**  
**COBS 9, 19, TP2**
- 2.3** In summary, the instrument assists individuals in making better choices as to how to use their deferred contribution funds at retirement.
- 2.4** Part of this instrument comes into force on the date on which the Pensions Schemes Act 2015 comes into force and the remainder of the instrument comes into force on **6 April 2015**.

### ***Benchmarks (Amendment) Instrument 2015 (FCA 2015/6)***

- 2.5** Following consultation in CP14/32<sup>1</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:  
**Glossary of definitions**  
**FEES**  
**MAR**  
**SUP**
- 2.6** In summary, the instrument brings the regulation of benchmarks within the scope of our supervisory regime.
- 2.7** This instrument comes into force on **1 April 2015**. Feedback to this consultation was published in a separate Policy Statement.<sup>2</sup>

<sup>1</sup> CP14/32 Bringing additional benchmarks into the regulatory and supervisory regime (December 2014)

<sup>2</sup> PS15/6: Bringing additional benchmarks into the regulatory and supervisory regime

### ***Standards for Designated Guidance Providers Instrument 2015 (FCA 2015/9)***

- 2.8** Following consultation in CP14/11<sup>3</sup>, the FCA Board has made changes to the FCA Handbook section listed below:

#### **COBS**

- 2.9** In summary, the instrument assists individuals in making better choices as to how to use their deferred contribution funds at retirement.
- 2.10** This instrument comes into force on **6 April 2015**.

### ***Handbook Administration (No 37) Instrument 2015 (FCA 2015/11)***

- 2.11** The Board has made minor administrative changes to various modules of the FCA Handbook, as listed below. These correct or clarify existing provisions. They were not consulted on because they are regarded either as falling within the scope of previous consultations or as being so minor that they do not warrant consultation. None of these changes represents any alteration in FCA policy.

#### **Glossary of definitions**

**SYSC 20**

**GEN 1**

**FEES 2**

**IFPRU TPs**

**MIPRU 3**

**IPRU(INV) TPs**

**COBS 19**

**SUP 6, 10A, 12, 13, 13A, 15 and 16**

**COMP 1**

**LR TRs**

**DTR 8**

**PERG 1**

- 2.12** In summary the amendments made this month are as follows:
- correction of a cross-reference in the definition of “business premises”;
  - change to the definition of “qualifying parent undertaking” to more properly mirror the wording of s.192B of the Act, on which the definition is based;
  - change to the definition of “relevant information” to remove part of this definition as this was only used for the purposes of the ‘market abuse (misuse of information)’ regime formerly set out in MAR 1.5; MAR 1.5 was deleted in January 2015 following the expiry of section 118(4) of the Act which underpinned it;
  - deletion from the FCA Handbook of SYSC 20.1.1R as this provision only applies to PRA firms;
  - removal of expired transitional provisions in IFPRU and IPRU(INV);
  - changes to cross-references in SYSC 20.1.4AG, FEES 2.2.3G, MIPRU 3.1.1R;

<sup>3</sup> CP14/11 Retirement reforms and the Guidance Guarantee (July 2014)

- corrections within COBS 19.6 of references to “administrative charge” which have been amended to “administration charge”;
- minor clarificatory change to the reporting requirement in SUP 16.7A.8R to show the deadline in ‘business days’ rather than ‘days’;
- corrections to the tables of reporting requirements within SUP 16.12.5R, 16.12.6R, 16.12.7R and 16.12.18BR, by the removal of rows relating to “annual report and accounts” as this is not relevant for FCA firms;
- correction to the name of a Statutory Instrument referred to in SUP 16 Annex 1AR;
- a change of address of the Financial Services Compensation Scheme (as set out in COMP 1.3.1G);
- removal of expired transitional provisions from LR (those transitional provisions in LR TR 12 which have expired will be dealt with when the other provisions in this table have expired, in 2016);
- change to the list of regulatory bodies in DTR 8 Annex 1R; and
- changes to references to the FCA’s Contact Centre in various Handbook modules, to reflect the new 0300 telephone number.

**2.13** These changes come into force on **1 April 2015**, apart from the changes to COBS which come into effect either on **6 April 2015** or **6 April 2016**.

### ***Fees (Miscellaneous Amendments) (No 8) Instrument 2015 (FCA 2015/12)***

**2.14** Following consultation in CP14/26<sup>4</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:

#### **Glossary of definitions FEES 1, 3, 4, 5, 7 and App 1**

**2.15** In summary, the instrument makes provisions relating to the following fees and levies:

- recovering the costs of regulating second charge mortgage lenders and intermediaries when they move into our mortgage regime in March 2016 when the UK implements the Mortgage Credit Directive
- introducing an annual fee (and removing and removing the ad-hoc hourly testing charge set out in FEES 3 Annex 7) for Approved Reporting Mechanisms (ARMS) to cover the ongoing maintenance and administration costs of our Manage File Transfer (MFT) IT system
- adjusting our framework for consumer credit fees as follows:
  - charging a fee for firms with limited permission seeking to change their legal status
  - charging an application fee for a new consumer credit activity

<sup>4</sup> CP14/26 Regulatory fees and levies: policy proposals for 2015/16 (November 2014)

- incorporating consumer credit into our financial penalty scheme
- charging for the Money Advice Service through a single levy for consumer credit
- clarifying some of our definitions of income and an amendment to bring the method of calculating the first year's fees of recognised investment exchanges (RIEs) into line with other firms. The definitions of income affect:
  - fee-block A9 (managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes)
  - fee-blocks A13 (advisers, arrangers, dealers or brokers), A14 (corporate finance advisers)
  - A18 (home finance providers, advisers and arrangers), A19 (general insurance mediation)
  - B (service companies), CC1 (consumer credit firms with limited permission), and
  - CC2 (consumer credit firms with full authorisation).

**2.16** This instrument comes into force on **1 April 2015**. Feedback to this consultation was published in a separate consultation paper.<sup>5</sup>

#### ***Fees (Payment Systems Regulator) Instrument 2015 (FCA 2015/13)***

**2.17** Following consultation in CP14/26, the FCA Board has made changes to the FCA Handbook sections listed below:

##### **Glossary of definitions FEES 1, 2, 9 and TP11**

**2.18** In summary, the instrument makes provisions for the fees to be raised to recover the 2015/16 funding needed by PSR to regulate payments systems expected to be designated by Treasury.

**2.19** This instrument comes into force on **1 April 2015**. Feedback to this consultation was published in a separate consultation paper.

#### ***Fees (Pensions Guidance) Instrument 2015 (FCA 2015/14)***

**2.20** Following consultation in CP14/26, the FCA Board has made changes to the FCA Handbook sections listed below:

##### **Glossary of definitions FEES 1, 2, 10 and TP11**

**2.21** In summary, the instrument makes provision for the pensions guidance levy.

**2.22** This instrument comes into force on **1 April 2015**. Feedback to this consultation was published in a separate consultation paper.

<sup>5</sup> CP15/14: FCA Regulated fees and levies: rates proposals 2015/16

***Financial Services Compensation Scheme (Management Expenses Levy Limit 2015/2016) (FCA Instrument 2015 (FCA 2015/15))***

**2.23** Following consultation in CP15/2<sup>6</sup>, the FCA Board has made changes to the FCA Handbook section listed below:

**FEES 6**

**2.24** In summary, these changes set a management expenses levy limit (MELL) of £74.4m for 2015/16 consisting of:

- FSCS management expenses of £69.1m: this is the minimum amount that will be levied for 2015/16,
- a contingency reserve of £5.3m that allows the FSCS to levy additional funds, most likely at relatively short notice, without formal consultation by the FCA and PRA to meet contingencies that were not foreseen when the annual levy was raised.

**2.25** This instrument comes into force on **1 April 2015**. Feedback to this consultation is published in Chapter 3 of this Notice.

***Listing Rules (Sponsors) (Amendment No 6) Instrument 2015 (FCA 2015/19)***

**2.26** Following consultation in CP14/21<sup>7</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:

**LR 8.3 and 8.5**

**2.27** In summary, the instrument amends the requirement for only one sponsor to take responsibility for contact with the FCA in respect of the sponsor service so that it applies in respect of administrative arrangements only. It also introduces new guidance for joint sponsors to co-operate with each other in relation to the sponsor service including establishing arrangements for the sharing of information.

**2.28** This instrument comes into force on 1 April 2015. Feedback to this consultation was published in a separate policy statement.<sup>8</sup>

***Prospectus Rules (Amendment No 2) Instrument 2015 (FCA 2015/20)***

**2.29** Following consultation in CP14/27<sup>9</sup>, the FCA Board has made changes to the FCA Handbook sections listed below:

**PR 2.2, 3.2 and TR**

**2.30** In summary, the instrument implements amendments to the administrative requirements on final terms in the Prospectus Directive.

**2.31** This instrument comes into force on **31 March 2015**. Feedback to this consultation is published in Chapter 3 of this Notice.

6 CP15/2 Financial Services Compensation Scheme – Management Expenses Levy Limit 2015/16 (January 2015)

7 CP14/21 Feedback and Policy Statement on CP14/02, consultation on joint sponsors and call for views on sponsor conflicts (September 2014)

8 <http://www.fca.org.uk/your-fca/documents/policy-statements/ps15-07>

9 CP14/27 Quarterly Consultation (No 7) (December 2014)

## 3. Consultation feedback

- 3.1** This chapter provides feedback on consultations that do not have a separate Policy Statement published by the FCA.

### **CP15/2 Financial Services Compensation Scheme – Management Expenses Levy Limit 2015/16**

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#### ***Financial Services Compensation Scheme (Management Expenses Levy Limit 2015/2016) (FCA Instrument 2015 (FCA 2015/15))***

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

- 3.2** In CP15/2 we and the Prudential Regulation Authority proposed setting the FSCS management expenses levy limit (MELL) at £74.4m for 2015/16 and set out an indicative breakdown of this figure by activity. The management expenses of the FSCS are the non-compensation costs that the FSCS incurs, or expects to incur, in connection with delivering its functions.
- 3.3** The proposed MELL of £74.4m included FSCS management expenses (or budget) of £69.1m and a contingency reserve of £5.3m. This would allow the FSCS to levy additional funds for management expenses up to this limit, to meet contingencies that were not expected when the annual levy was raised.
- 3.4** We asked:

##### ***Q1: Do you have any comments on the proposed FSCS MELL for 2015/2016? Feedback and our response***

- 3.5** We received feedback from four trade bodies and firms. Some respondents welcomed the 7.4% reduction in the budget from £74.7m to £69.1m.
- 3.6** Some respondents were concerned about what they regard as the high costs of FSCS operations, outsourcing work and general insurance provision cases. However, £3.85m of the outsourcing costs for 2015/2016 are related to Independent Insurance, which FSCS expects to take over from the administrators during the course of 2015/16, and the onset of expected SIPPs cases. Also, in general, claims dealt with by FSCS are more complex than ever, requiring more time to investigate and complete.
- 3.7** Some respondents were also concerned about the ongoing costs of the Strategic Change Portfolio, and said that we should request an NAO value-for-money audit of the change

programme. However, the change programme is already subject to some degree of independent scrutiny by the FSCS's external auditors (NAO).

**3.8** The level of Keydata recovery costs were a cause for concern, and the question was raised as to whether a cost/benefit analysis should be carried out, and around FSCS's commitment to publishing a full account of the costs and recoveries. That account was published on 18 February 2015.

**3.9** There was some concern about the need to read the FSCS Plan and Budget to see the underpinning detail of the MELL. However, the Plan and Budget was published only the day after the CP, and the two documents can easily be read together, and FSCS also hosts an Industry Day on the same day the CP is published to give firms and trade bodies early insight into the proposals.

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

**3.10** The cost benefit analysis and compatibility statement set out in CP15/2 remain valid and do not require amendment.

***Equality and diversity issues***

**3.11** The equality and diversity statement in CP15/2 remains valid and does not require amendment. We received no comments on this statement.

**3.12** We have made the rule changes to FEES on which we consulted. The changes made by this instrument are listed in Chapter 2 of this Notice.

## **Chapter 3 of CP14/27, Quarterly Consultation (No 7)**

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### ***Prospectus Rules (Amendment No 2) Instrument 2015 (FCA 2015/20)***

***Background***

**3.13** The FCA's Quarterly Consultation Paper (QCP) CP14/27, of 5 December 2014, proposed small changes to the Prospectus Rules (PR) to implement amendments to the administrative requirements on final terms in the Prospectus Directive (PD). It also proposed a minor change to a rule on publishing prospectuses.

***Feedback***

**3.14** The consultation period closed on 5 February 2015. There were no responses.

***Our response***

**3.15** We have not made any change of substance to the amendments on which we consulted. However, in preparing the final instrument we noticed that a change is needed to the numbering of one of the rules we are making, and it therefore appears in the final instrument as PR2:2.9AR but had been consulted on as PR2:2.9AR This is a presentational change and not one of substance. PR2.2.9(1A)R therefore still states that issuers must if possible file final terms with the FCA before admission to trading occurs. We expect that issuers will always be able to comply with this obligation

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

**3.16** The cost benefit analysis and the compatibility statement remain unchanged from those in paragraphs 2.5 to 2.9 of the QCP.

***Equality and diversity issues***

- 3.17** The statements in paragraph 2.10 of the QCP remain correct and we do not believe that there are any equality or diversity implications arising from this instrument.
- 3.18** The changes made by this instrument are listed in Chapter 2 of this Notice.

## 4. Additional information

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### 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.

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### 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.

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### Obligation to publish feedback

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- 4.7** This Notice, and the feedback to which paragraph 1.6 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 section 138K(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 [handbookproduction@fca.org.uk](mailto:handbookproduction@fca.org.uk) (or see contact details at the front of this Notice).

Financial Conduct Authority



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