

Quarterly Consultation

CP23/25

No 42

December 2023

How to respond

The Financial Conduct Authority invites comments on this consultation paper. Comments should reach us by 8 January 2024 for Chapters 2, 3, 4, 5, 6 and 7.

Comments may be sent by electronic submission using the form on the FCA's [website](#).

Alternatively, please send comments in writing to:

Chapter 2: Sophie Ellis, Policy Approach & Profession
Telephone: 020 7066 1275

Chapter 3: Lisa Rivera, Consumer Finance Policy
Telephone: 020 7066 1732

Chapter 4: Jing Li and Michael Collins, Asset Management & Fund Policy
Telephone: 020 7066 0548 and 020 7066 8196

Chapter 5: Caroline Donellan, Pensions Policy
Telephone: 020 7066 2598

Chapter 6: Martin O'Neill, Prudential Policy
Telephone: 020 7066 9424

Chapter 7: Meghan Beller, Handbook and Fees Policy, Cross-Cutting Policy
Telephone: 0207 066 2111

If you are responding in writing to several chapters please send your comments to Lisa Ocerro in the Handbook Team, who will pass your responses on as appropriate.

All responses should be sent to:
Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

Email: cp23-25@fca.org.uk

When we make rules, we are required to publish an account of the representations we receive and how we have responded to them. We are also required to publish a list of the names of the respondents who made the representations, where those respondents have consented to the publication of their names. In your response, please indicate whether or not you consent to the publication of your name. For further information on confidentiality of responses, see the disclaimer at the end of this consultation paper.



Sign up for our **news** **and publications alerts**

See all our latest press releases, consultations and speeches.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 020 7066 6087

Contents

1.	Overview	4
2.	Amendments to the Training and Competence sourcebook (TC)	5
3.	Consequential amendments to the Credit Unions sourcebook (CREDS) as a result of legislative changes to the Credit Unions Act 1979	10
4.	Authorised funds (Miscellaneous amendments)	17
5.	Clarificatory amendments to Chapter 19 of the Conduct of Business sourcebook (COBS)	26
6.	Changes to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) and the Interim Prudential sourcebook for Investment Businesses (IPRU-INV) to provide clarification	32
7.	Making references to enactments in Handbook rules ambulatory	37
Annex 1		
	Abbreviations used in this paper	40
Appendix 1		
	List of questions	
Appendix 2		
	Amendments to the Training and Competence (TC) sourcebook	
Appendix 3		
	Consequential amendments to the Credit Unions sourcebook (CREDS) as a result of legislative changes to the Credit Unions Act 1979	
Appendix 4		
	Authorised funds (Miscellaneous amendments)	
Appendix 5		
	Clarificatory amendments to Chapter 19 of the Conduct of Business sourcebook (COBS)	
Appendix 6		
	Changes to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) and the Interim Prudential sourcebook for Investment Businesses (IPRU-INV) to provide clarification	
Appendix 7		
	Making references to enactments in Handbook rules ambulatory	

Chapter 1

Overview

Chapter No	Proposed changes to Handbook	Consultation closing period
2	To make amendments to the TC qualifications table	5 weeks
3	To make minor consequential amendments to CREDS as a result of legislative changes to the Credit Unions Act 1979	5 weeks
4	To make minor amendments, including clarifications and corrections to COLL	5 weeks
5	To make changes to clarify the scope and application of COBS 19.7 and to improve the clarity of requirements under COBS 19.9.	5 weeks
6	To make corrections and clarifications to MIFIDPRU 1, 4, 7 and 8, and IPRU-INV 1	5 weeks
7	To make references to enactments in the Handbook ambulatory	5 weeks

Chapter 2

Amendments to the Training and Competence sourcebook (TC)

Introduction

- 2.1** Our Training and Competence (TC) regime supports consumers by making sure the financial services workforce is appropriately qualified and well regulated. The regime includes detailed requirements for individuals carrying on certain retail activities and qualification requirements which are set out in the TC sourcebook. We generally consult whenever a new qualification is added, or when other minor changes are made to the TC sourcebook.
- 2.2** In this chapter, we are proposing the following changes to the TC sourcebook:
- The addition of the International Capital Market Association (ICMA) as a sole qualifications provider
 - Updates to the qualifications table in TC App 4.1 in relation to providers of the Operations Certificate Programme (OCP)
 - Updates to the qualifications table in TC App 4.1 in relation to qualifications provided by the Chartered Institute for Securities and Investment (CISI)
- 2.3** This chapter will be of interest to firms and individuals who are subject to our TC requirements.

Summary of proposals

- 2.4** We propose to update the appropriate qualification table at TC App 4.1.1D to include the ICMA as a qualifications provider, having assessed it as meeting the requirements set out in TC App 5.1.
- 2.5** ICMA previously provided the OCP for non-Retail Distribution Review (RDR) qualification activities 16 and 17, jointly with the University of Reading. As such, we propose to amend the qualifications table to reflect the OCP for non-RDR qualification activities 16 and 17, provided by the ICMA Centre/University of Reading (Formerly ISMA Centre/ University of Reading) until January 2020. We also propose to include the ICMA as the provider of the OCP, in line with its proposed inclusion, as a qualifications provider from the date the proposed instrument comes into force.

2.6 In addition to the above, we propose to make a number of amendments to the qualifications table for the CISI to reflect changes to these qualifications, either because they have been replaced by an updated qualification or had a name change. For ease, these changes are summarised below and highlighted in full in the associated Annex.

Current name	New name
Diploma in Corporate Finance (awarded jointly with The Institute of Chartered Accountants in England and Wales) (8)	Diploma in Corporate Finance (joint programme with The Institute of Chartered Accountants in England and Wales) (8)
Masters in Wealth Management (Post 2010 examination standards) (2, 3, 4, 6, 12, 13)	CISI Level 7 Diploma in Wealth Management (Post 2010 examination standards) (2, 3, 4, 6, 12, 13)
Masters in Wealth Management (14, 10)	CISI Level 7 Diploma in Wealth Management (also known as the Chartered Wealth Manager Qualification) (14, 10)

2.7 The following qualifications are no longer provided or will no longer be provided by the CISI:

- Diploma (where candidate holds 3 modules as recommended by the firm)
- Investment Advice Certificate
- Certificate in Corporate Finance
- Certificate in Derivatives – Paper 2
- Certificate in Investment Management – Paper 2
- Certificate in Securities and Certificate in Securities – Paper 2
- Diploma
- Diploma – Global Operations Management Module
- Diploma (must include a pass in Regulation and Compliance Paper)
- Diploma (where candidate holds 3 modules as recommended by the firm)
- Investment Advice Certificate, Investment Advice Certificate – Paper 1 and Investment Advice Certificate – Paper 2
- Investment Operations Certificate – Global Securities Operations Module (16) and Investment Operations Certificate – Global Securities Operations Module (17)
- Investment Operations Certificate – Operational Risk Module
- Level 3 Certificate in Investments (Derivatives) – Unit 3
- Level 3 Certificate in Investments (Securities) and Level 3 Certificate in Investments (Securities) Unit 2

2.8 As such, we are proposing that the qualifications table is updated to reflect the dates on which these qualifications cease(d) to be provided.

Qualifications with changes in their listings	New listings
Investment Operations Certificate – Asset Servicing Module (15, 16, 17)	Investment Operations Certificate – Asset Servicing Module (15, 16, 17) (Pre 01/04/2024) Investment Operations Certificate – Asset Servicing Module (16) (Post 31/03/2024)
Investment Operations Certificate – Collective Investment Schemes Administration Module (15, 16, 17)	Investment Operations Certificate – Collective Investment Schemes Administration Module (15, 16, 17) (Pre 01/04/2024) Investment Operations Certificate – Collective Investment Schemes Administration Module (15) (Post 31/03/2024)
Investment Operations Certificate – Platforms, Wealth Management and Service Providers (15, 16)	Investment Operations Certificate – Platforms, Wealth Management and Service Providers (15, 16) (Pre 01/04/2024) Investment Operations Certificate – Platforms, Wealth Management and Service Providers (16) (Post 31/03/2024)
Investment Operations Certificate – Transfer Agency Administration & Oversight Module (15, 16, 17)	Investment Operations Certificate – Transfer Agency Administration & Oversight Module (15, 16, 17) (Pre 21/12/2023) Investment Operations Certificate – Transfer Agency Administration & Oversight Module (16) (Post 20/12/2023)

Q2.1: Do you have any comments on the proposed changes to the qualifications table in TC App 4.1?

Cost benefit analysis

2.9 Section 138I of Financial Services and Markets Act 2000 (FSMA) requires us to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless we consider the proposal will not give rise to any cost or that the increase in costs will be of minimal significance.

2.10 We expect firms to incur no, or minimal, additional costs as a result of these proposals as they aim to keep the list of appropriate qualifications in the TC sourcebook up to date. As such, we have not conducted a CBA as per the exemption under FSMA.

Impact on mutual societies

2.11 Section 138K of FSMA requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies,

compared to other authorised persons. We are satisfied that the proposals in this chapter would not have a significant different impact on mutual societies compared with other authorised persons.

Compatibility statement

- 2.12** When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
- 2.13** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. These updates advance our primary objectives of both consumer protection and effective competition. By keeping the qualifications table up to date and accurate, it allows those working in financial services to select relevant qualifications as well as informing their understanding of any qualifications already held. It is our opinion that making changes to the appropriate qualifications lists in the TC sourcebook increases competition, as this increases the number of qualifications available. We are satisfied that any burdens or restrictions are proportionate to the expected benefits. As such, these proposals are also compatible with our secondary international competitiveness and growth objective as they enhance the trust and reputation of UK financial services by ensuring providers of financial services are sufficiently qualified while at the same time facilitating a wide talent pool, potentially leading to increased choice for consumers. Our proposals have taken account of the latest HMT remit letter and support the government's objective to promote the international competitiveness of the UK.
- 2.14** In developing this Consultation Paper (CP), we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under sections 1B(5) and 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 1 of the Climate Change Act 2008. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules.

Equality and diversity

- 2.15** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment).

In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.

- 2.16** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 3

Consequential amendments to the Credit Unions sourcebook (CREDS) as a result of legislative changes to the Credit Unions Act 1979

Introduction

- 3.1** The Financial Services and Markets Act 2023 (FSMA), which came into force on 29 August 2023, sets out changes to the Credit Unions Act 1979 (CUA79).
- 3.2** These changes specifically concern credit unions in Great Britain. Any change to legislation for Credit Unions in Northern Ireland is a matter for the Northern Ireland Assembly.
- 3.3** The changes include:
- an additional legislative 'object' which extends the range of permitted services credit unions in Great Britain are allowed to offer, to include:
 - hire purchase agreements
 - conditional sale agreements
 - insurance distribution activities (beyond those that are ancillary to making loans or deposit-taking)
- It will be up to each credit union to decide whether to offer these additional products to their members. If they decide to offer these products, they will need to ensure they have the necessary permissions under FSMA in place before carrying on or agreeing to carry on such activities.
- a legislative requirement for credit unions to submit annual accounts to the FCA within 7 months of the end of their financial year
 - express provision for credit unions to temporarily lend to and borrow from other credit unions, even when there is no membership link
- 3.4** As a result of these changes, we have reviewed our Credit Unions sourcebook (CREDS), which is a specialist sourcebook providing rules and guidance specific to credit unions, and to the application of other key parts of the FCA Handbook to credit unions.
- 3.5** We set out below proposed minor consequential amendments to CREDS to further clarify when and how our rules would apply to credit unions as a result of these legislative changes.
- 3.6** These proposals will be relevant to all credit unions in Great Britain. They may also be of interest to consumers that are currently, or may become in the future, members of a credit union, as well as to consumer groups that have an interest in credit unions.

Summary of proposals

- 3.7** In addition to the amendments we are proposing because of the legislative changes, our proposals include some further minor amendments intended to update CREDS.

CREDS 1.1 Application and purpose

- 3.8** CREDS 1.1.2G sets out that CREDS only includes requirements associated with credit unions' deposit taking activities. Other activities, which credit unions may have obtained permission to undertake, are covered elsewhere in the FCA's Handbook.
- 3.9** As FSMA expands credit unions' permitted activities, the requirements in CREDS do not just apply to activities associated with deposit taking. In addition, CREDS 1.1.4G reiterates the application of CREDS as set out in CREDS 1.1.2G and limits the provisions in CREDS 10 to only credit unions with Part 4A permission to accept deposits.
- 3.10** Due to this duplication, and that the newly permitted activities fall within scope of CREDS and other parts of the Handbook listed in CREDS 10, we are proposing to simplify CREDS 1.1 by removing CREDS 1.1.2G and CREDS 1.1.2AG, and amending CREDS 1.1.4G to set out how CREDS applies to credit unions, taking into account the newly permitted activities.

Q3.1: Do you agree with our proposal to remove CREDS 1.1.2G and CREDS 1.1.2AG, and amend CREDS 1.1.4G to set out how CREDS applies to credit unions? If not, please explain why.

CREDS 2.2 Systems and controls specific to credit unions

- 3.11** Depending on the complexity of their business model, a credit union may need to have a compliance function as part of their responsibilities to arrange their risk management systems adequately and effectively. CREDS 2.2.31G highlights some important issues that those credit unions, where this applies, will need to consider as part of their compliance function.
- 3.12** We are proposing to add 'hire purchase' and 'conditional sales agreements' to CREDS 2.2.31G(9) to clarify that credit unions, where offering these products, should consider appropriate compliance with relevant lending rules and compliance monitoring around these activities as part of their compliance function.
- 3.13** We are also proposing to add 'hire purchase' and 'conditional sales agreements' to CREDS 2.2.35G and CREDS 2.2.45G(7) to ensure that they are included in credit unions' management information systems and internal audit work, where applicable.

Q3.2: Do you agree with our proposal to add 'hire purchase' and 'conditional sales agreements' to CREDS 2.2.31G(9), CREDS 2.2.35G and CREDS 2.2.45G(7)? If not, please explain why.

CREDS 7 Lending to members

- 3.14** The provisions in CREDS 7 currently refers to loans to members (in relation to Great Britain credit unions) under section 11 of the CUA79 and (in relation to Northern Ireland credit unions) article 28 of the Credit Unions (Northern Ireland) Order 1985. As 'hire purchase' and 'conditional sale agreements' relate to lending activities, we are proposing to define our usage of 'lending' for the purpose of CREDS 7 at CREDS 7.1.2A to include 'loans', 'hire purchase agreements' and 'conditional sale agreements'. As a result, we propose to change the reference of loan to 'lending' at CREDS 7.1.2G, CREDS 7.2.4G, CREDS 7.2.6G, CREDS 7.2.7R, CREDS 7.2.8G and CREDS 7.2.12G.
- 3.15** This means, for example, that credit unions must not offer these products to persons in circumstances that meet the criteria outlined in CREDS 7.2.7R. These changes would also mean that the lending policy credit unions are required to establish and maintain under CREDS 7.2.1AR would need to include the credit union's policy for carrying out hire purchase and conditional sale agreements.
- 3.16** CREDS 7.1.3G and CREDS 7.1.4G also currently sets out that the rules and guidance in CREDS 7 are in addition to section 11 of the CUA79 along with a partial summary of these provisions. Since the subsections of CREDS 7.1.3G only provide a partial summary of the legislation, we are proposing to remove the subsections of CREDS 7.1.3G and CREDS 7.1.4G. We will also refer to the new Section 11E of the CUA79 pertaining to the newly permitted activities in 7.1.3G.

Q3.3: Do you agree with our proposal to define our usage of 'lending' for the purpose of CREDS 7 at CREDS 7.1.2A and amend the wording in CREDS 7 from loans to 'lending'? If not, please explain why.

Q3.4: Do you agree with our proposal to remove CREDS 7.1.3G(1), CREDS 7.1.3G(1A), CREDS 7.1.3G(2) and CREDS 7.1.4G, and to reference Section 11E at CREDS 7.1.3G? If not, please explain why

CREDS 8.2 Reporting requirements

- 3.17** Currently under CREDS 8.2.6R, credit unions in Great Britain must submit annual accounts to the FCA within 6 months of the end of their financial year. The legislative changes to FSMA now require credit unions to submit their annual returns instead to the FCA within 7 months of the end of their financial year as described in section 89 of the Co-operative and Community Benefit Societies Act 2014. Credit unions must also follow sections 77 and 78 of the Co-operative and Community Benefit Societies Act 2014, regarding how to calculate the financial year-end date and procedures for specifying a different one.

- 3.18** Since the legislation now requires credit unions to submit their annual returns, the requirement in CREDS is redundant and would result in credit unions in Great Britain being subject to a rule breach as well as a criminal offence. We are therefore proposing to remove CREDS 8.2.6 and CREDS 8.2.6AR.

Q3.5: Do you agree with our proposal to remove CREDS 8.2.6R and CREDS 8.2.6AR? If not, please explain why.

CREDS 10.1 Application of other parts of the Handbook to Credit Unions

- 3.19** CREDS 10 outlines other parts of our Handbook and regulatory guides that apply to credit unions and the extent to which they apply. Now that credit unions can offer hire purchase/conditional sale agreements and insurance distribution activities, we want to add the new activities and their relevant parts of the Handbook to the chapter's table so that credit unions can easily refer to them. Our proposed amendments to the table include the following.

Senior Management Arrangements, Systems and Controls (SYSC)

- 3.20** If a credit union intends to undertake insurance distribution activities, the credit union will need to apply further provisions set out in Senior Management Arrangements, Systems and Controls (SYSC) to ensure that they have taken appropriate steps to manage their risk systems effectively and adequately. We are proposing to add SYSC 19F.2 and SYSC 28, which may apply to credit unions undertaking insurance distribution activities depending on the products they are distributing.
- 3.21** We are also adding SYSC 22 Regulatory References, which as part of the Senior Managers and Certification Regime (SM&CR) already applied to credit unions before the legislative changes but was previously missing from SYSC requirements highlighted in this section.

Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

- 3.22** Since credit unions can now offer insurance distribution activities, the requirements in MIPRU 5 will not only apply to credit unions that use home finance intermediaries, but also credit unions that use the services of another person conducting insurance distribution activity. This means credit unions conducting insurance business can only distribute insurance contracts through another person if the person is authorised or exempt. We therefore propose to specify that MIPRU 5 will also apply to persons carrying on insurance distribution activities.

Conduct of Business sourcebook (COBS)

- 3.23** In addition to the relevant requirements for credit unions that act as Child Trust Fund account providers, our Conduct of Business sourcebook (COBS) now also applies to credit unions that offer insurance distribution activities in relation to life policies. We are therefore proposing to add that credit unions will need to adhere to the relevant insurance distribution requirements in COBS.

- 3.24** Since COBS applies to broader activities, including designated investment business and long-term insurance business in relation to life policies, while our Insurance: Conduct of Business sourcebook (ICOBS) applies to insurance distribution activities, we are also proposing to add that credit unions may elect to comply with COBS in relation to pure protection contracts that would otherwise fall under ICOBS.
- 3.25** To ensure credit unions only provide the insurance distribution activities they are permitted under relevant legislation, and, to align with our current wording in the ICOBS section of CREDS 10, we are proposing to remind credit unions that they should refer to the permitted activities as set out in CUA79.

Insurance: Conduct of Business sourcebook (ICOBS)

- 3.26** Credit unions who arrange non-investment insurance contracts for the benefit of their members, where those members gain rights under the contract, can involve insurance distribution activity. As this form of insurance activity would be subject to our rules in ICOBS, we are proposing to clarify that ICOBS will also apply in these circumstances.

Supervision manual (SUP)

- 3.27** Where credit unions carry on insurance distribution activities and fall within the category provided at SUP 3.1.2R(10), then SUP 3.10 and SUP 3.11 (Auditors) will also be relevant. We are therefore proposing to add reference to this in the SUP section.

Consumer Credit sourcebook (CONC)

- 3.28** We propose to amend the guidance on the application of our Consumer Credit Sourcebook (CONC) in CREDS 10.1.3G to clarify that credit unions that undertake hire purchase and conditional sale agreements would need to adhere to the relevant rules in CONC as they are no longer exempt credit-related activities.
- 3.29** Since we are adding regulated activities, hire purchase and conditional sales agreements to the list of activities where CONC applies, we are proposing to amend the current wording of 'most credit union lending is therefore outside the scope of CONC' to 'where an exemption applies, the credit union lending will be outside the scope of CONC'.

Client Assets (CASS)

- 3.30** The rules in Chapter 5 of Client Assets (CASS) may apply to credit unions' insurance distribution activity depending on whether the credit union received or holds money in the course of or in connection with its insurance distribution activity (ie, if the application rules set out in CASS 5.1.1R are met). We are therefore proposing to add a CASS section to the table explaining that CASS 5 may apply to credit unions' activities depending on the firm's business model.

Product Intervention and Product Governance sourcebook (PROD)

- 3.31** Now that credit unions can offer insurance distribution activities, we propose to add a section to the table in CREDS 10.1.3G clarifying that our rules in the Product Intervention and Product Governance sourcebook (PROD) will apply to these services. Specifically, PROD 1.4 and PROD 4 will apply to firms involved in the manufacture or distribution of insurance products.

Q3.6: Do you agree with our proposed amendments to CREDS 10? If not, please explain why.

Cost benefit analysis

- 3.32** Section 138I(2)(a) of FSMA requires us to publish a cost benefit analysis (CBA) when proposing draft rules. However, section 138L of FSMA states that we do not need to provide a CBA where we consider that there will be no increase in the costs, or that any increase will be of minimal significance.
- 3.33** Our proposals are a result of legislative changes introduced by the Government which allow credit unions to offer a wider range of products and services to their members where they wish to do so. Any costs incurred by firms are consequential to that decision. Having assessed the changes proposed in this chapter, we consider them to be clarificatory in nature and of minimal significance. We therefore expect firms to incur minimal or no additional costs as a result of these proposals; as such, we have not conducted a CBA, as per the exemption under section 138L(3) of FSMA.

Impact on mutual societies

- 3.34** Section 138K(2) of FSMA requires us to state whether, in our opinion, our proposed rules will have an impact on mutual societies which is significantly different to the impact on other authorised persons.
- 3.35** Our proposals are only relevant to credit unions, which are mutual societies, and so a statement is not relevant.

Compatibility statement

- 3.36** When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA (as amended by the FSMA Act 2023) and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.

- 3.37** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. These proposals align with changes made under statute and advance our operational objectives of securing an appropriate degree of consumer protection and promoting effective competition in the interests of consumers. We are also satisfied the proposals are compatible with our secondary international competitiveness and growth objective in facilitating the provision of greater consumer choice and diversified income streams while making sure the necessary protections are in place, thereby promoting sustainable economic growth in the UK economy. They help to ensure clarity and remove ambiguity in our requirements on firms.
- 3.38** We consider that our proposals are consistent with the aspects of the government's economic policy to which the FCA should have regard. Per the remit letter from the Chancellor of the Exchequer to the FCA on 9 December 2022, our proposals support credit unions' ability to offer more products which aligns with the government's objective of medium- to long-term economic growth in the interests of consumers and businesses. We are also satisfied that any burden or restrictions are proportionate to the expected benefits.
- 3.39** We have also considered the environmental, social, and governance implications of our proposals, and our duty under section 1B(5) and section 3B(c) of FSMA to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under section 5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this issue under review during the course of the consultation period and when considering whether to make the final rules.

Equality and diversity

- 3.40** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.
- 3.41** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 4

Authorised funds (Miscellaneous amendments)

Introduction

- 4.1** We published Discussion Paper (DP) [23/2](#) in February 2023, looking at updating and improving the UK regime for asset management. In the feedback to that DP, some stakeholders raised issues with the current fund rules that they felt we should address. The issues we are consulting on in this paper represent some of the more straightforward themes for change and rules that we agree would benefit from being modernised or clarified.
- 4.2** We recognise that the fund rules need to evolve to ensure they remain current and reflect modern practices. In some cases, we are proposing amending the rules to reflect situations where we have previously waived or modified rules for individual firms. The changes we are proposing in this paper fall into 2 categories:
- additional options that we plan to allow firms to take advantage of, if they choose
 - clarifications of, or corrections to, existing rules
- 4.3** As we work with the Government on the repeal and replacement of retained EU law, we plan to consult on other amendments to the rules during 2024. Our Chair, Ashley Alder, set out our strategic approach and priorities in a recent [speech](#). We are continuing to work on other issues raised by stakeholders in response to the DP and may consult on further minor changes in our Quarterly Consultation papers throughout 2024.

Summary of proposals

- 4.4** We set out below proposals for minor adjustments to our rules for authorised funds in a number of areas, including:
- enabling virtual or hybrid general meetings of unitholders
 - giving notice to joint unitholders
 - enabling Shariah compliant funds
 - clarifying the accounting date rule for new funds at sub-fund level
 - clarifying the allocation of payment rules
 - correcting the rules around investment in second schemes
 - broadening the range of investments available under the Qualified Investor Scheme (QIS) regime
 - clarifying comprehensive cover requirements for global exposure in transactions in derivatives and forward transactions in the QIS rules
 - making minor amendments to the Long-Term Asset Fund (LTAF) rules for consistency

- changing the term 'IMA SORP' (Investment Management Association Statement of Recommended Practice) to 'SORP' (Statement of Recommended Practice) in our Collective Investment Schemes sourcebook (COLL)

4.5 The proposed changes feed into the FCA's priorities of preparing financial services for the future and strengthening the UK's position in global wholesale markets. In developing the proposals, we engaged with the FCA's statutory independent panels.

Enabling virtual or hybrid general meetings of unitholders

- 4.6** Our rules for authorised funds require general meetings of unitholders to be called for certain purposes, for example, to vote on a proposal to make a fundamental change to the fund. The rules envisage that all general meetings are held in person. During the period of the coronavirus (Covid-19) lockdowns, we said that we did not have supervisory concerns about meetings being held virtually, given the exceptional circumstances of the pandemic.
- 4.7** We consider the rules should allow for meetings to be held in an appropriate and modern format. So, we propose changing the rules to enable meetings to be held either in person, virtually or on a hybrid basis. Our proposed rules set out our expectations of meetings with a virtual component.
- 4.8** We propose to update the rules in COLL 4.4 on meetings of unitholders to enable the option of electronic participation at general meetings where the instrument constituting the fund permits this. This will include provision for a general meeting to be either a physical meeting, or a virtual meeting or a hybrid of the two.
- 4.9** We propose that any unitholder who participates in a general meeting remotely, where the authorised fund manager (AFM) enables this to happen, should be entitled to the same rights of participation as if they were physically present at the meeting. This means that they must be able to be called to speak by the chair of the meeting, be able to propose a motion and vote in a show of hands if one takes place. The chair of the meeting should take reasonable care to ensure virtual participants are being treated fairly, particularly in a hybrid meeting. We propose that the chair should be physically present at a hybrid meeting since we consider this to be necessary to ensure both physical and virtual participants can be treated fairly. As we are changing these rules, we have taken the opportunity to amend the term 'chairman' to 'chair' in COLL 4.4.
- 4.10** Where unitholders are invited to participate electronically in a meeting, the AFM must take reasonable care to ensure the necessary supporting technology under its control operates adequately throughout its proceedings. Minutes of the meeting should be made available on the AFM's website shortly after the meeting, for greater transparency.

Q4.1: Do you agree with our proposed amendments to general meetings to enable virtual/hybrid options for unitholders? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Giving notice to joint unitholders

- 4.11** We propose to update COLL 4.4.12R on giving notices to unitholders to clarify our expectations where there are joint unitholders. The current rules do not make specific provisions where there are joint unitholders. This means notices will need to be served to each unitholder, which is likely to increase the costs without providing any benefit where two or more unitholders are based at the same address.
- 4.12** Our rules used to provide that a notice could be sent to one of the joint holders. We propose to amend the rule by providing that service of a notice or document on any one of the joint holders is effective service on the other joint holders.

Q4.2: Do you agree with our proposed amendments for giving notices when there are joint unitholders? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Enabling Shariah-compliant funds

- 4.13** The income arising from a fund, net of charges and taxes, is the property of the unitholders and must be paid or allocated to them pro rata to their holdings of units. The AFM can, at an individual unitholder's request, pay all or part of the income due to the unitholder to another person, but the rules do not allow the AFM to do this without each individual holder's consent. For a fund designed to be compliant with Shariah law, it may be unavoidable that a small amount of the income generated by the companies in which the fund invests includes some form of non-halal income, such as interest. Shariah funds typically look to pay away this portion of the income received that arises from activities that are not Shariah compliant. This is sometimes termed income purification. But the rules do not currently permit this to be done automatically.
- 4.14** We have previously allowed a modification of this rule for a Shariah-compliant fund to pay a sum of purification to a registered charity, subject to certain conditions. In this scenario, a fund was established to be compliant with Shariah law. The investment manager of the fund calculates the portion of investment that is non-Shariah compliant, on the advice of an independent third party with appropriate knowledge of finance and Islamic law. The non-compliant portion is to be segregated for redistributing to a registered charity, and each unitholder receives the remainder in proportion to their holding of units.
- 4.15** We propose to allow income purification as a standard element of COLL rules, by updating the existing requirements of COLL 6.7.4R(1) stipulating payments that may be made from the scheme property of an authorised fund. So, where the instrument constituting the fund permits it, payments from scheme property may include donations to one or more registered charities when they represent the required percentage of dividends for income purification of Shariah-complaint funds. The proposed rule change will allow some flexibility if firms choose to establish Shariah-compliant funds, or a Shariah-compliant class of units within a fund.

- 4.16** The fund prospectus should explain the fact that income purification payment(s) will be deducted from the income due to the unitholders and paid to a registered charity. It should also have the details of the independent person who advises the AFM on the portion of income to be set aside as purification. The fund annual report and accounts should specify the amount(s) of income paid as purification and the identity of the recipient(s).

Q4.3: Do you agree with our proposal to allow Shariah compliant payments from the income property of an authorised fund? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Clarifying accounting date rule for new funds at sub-fund level

- 4.17** Our rules allow flexibility for a new scheme to extend its first annual accounting period after launch and delay production of its accounts, if the first annual accounting date would fall less than 6 months after the date on which units are first issued. Some firms have questioned whether this applies only to an umbrella and not to a new sub-fund within an existing umbrella.
- 4.18** We do not consider that this is the effect of the current rules. But to clarify the situation, we propose to add guidance at COLL 6.8.2AG(1) explaining that the combined effect of COLL 6.8.1R(3) and COLL 6.8.2R(4) enables a new sub-fund established within an existing umbrella to take advantage of the relief provided by COLL 6.8.2R(4).

Q4.4: Do you agree with our proposed guidance around how the rules work for the first accounting period for a new sub-fund within an existing umbrella? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Clarifying the allocation of payment rules

- 4.19** Our rules require AFMs to allocate payments out of scheme property (eg, the management charge) to a fund's income account in the first instance, but in certain circumstances the manager may determine that it should be made from the fund's capital account instead. We have been asked to consider whether a fund manager may allocate payments differently for different unit classes of the same fund.
- 4.20** COLL 3.3.5R(2) contains a general prohibition on distinctions between classes that relate to differing rights of participation in capital property or income property; although this is offset by paragraph (4) of the same rule, which allows different class rights relating to charges and expenses payable from scheme property. COLL 6.7.10R(1)(a) says that decisions on whether to debit income or capital property 'must pay due regard to whether the nature of the cost is income related or capital related and the objective of the scheme'.

4.21 We consider that where a manager has decided investors in income classes may prefer charges to be taken from capital, it is nevertheless reasonable to assume that investors in accumulation classes of the same fund may prefer charges to be taken from income. We propose to amend COLL 6.7.10R to state that where there is at least 1 accumulation share class and 1 income share class in the same fund, it is permissible for the manager to decide to take charges to capital for the income share classes, and to income for the accumulation share classes. This would of course be subject to disclosure in the prospectus of the fund, and to the appropriate investor notification procedure under COLL 4.3 if the AFM decides to change the charging basis of an existing fund.

Q4.5: Do you agree with our proposed amendment to allow payments to a fund's capital and income account to be allocated at unit class level? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Correcting the rules around investment in second schemes

- 4.22** Our rules set restrictions for a fund that invests in units of other funds (referred to in the rules as 'second schemes'). These rules aim to ensure there is an appropriate spread of risk and that there is no circularity of investment. Where one of the funds to be invested in is part of a master-feeder arrangement, the rules specify which fund should be considered as the second scheme. Without any modification, the feeder fund would be the second scheme, but for the rule to be effective it needs to apply to the master fund rather than the feeder.
- 4.23** Feedback to our Consultation Paper (CP) [21/12](#) on the LTAF, noted that the proposed rule relating to second schemes did not appear to work as intended. We based this proposed rule on similar existing rules: COLL 5.7.1R(2)(b) in relation to a fund of alternative investment funds (FAIF) and COLL 8.4.1AR(1) in relation to a qualified investor scheme (QIS). Where the second scheme is a feeder scheme, each of those rules identifies the second scheme as a 'scheme into which the feeder scheme's master scheme invests'.
- 4.24** This does not appear to be correct. The intention is to apply the second scheme rules to the master scheme itself, not any other funds in which it in turn invests.
- 4.25** When we made the relevant LTAF rule (COLL 15.6.2R) we addressed the issue in relation to LTAFs. We now plan to align the rules for FAIFs and QIS with the LTAF rules so that they refer correctly to the master fund as the second scheme. We propose to amend the text in COLL 5.7.1R(2)(b) and COLL 8.4.1AR(1) to align with the definition in COLL 15.6.2R(1).
- 4.26** We recognise that some existing FAIFs or QISs might incur a breach because their current holdings in second schemes comply with the rule as it stands but would not comply with the rule as we propose to modify it. We do not intend these changes to lead to an immediate breach of the rules. So, we propose to allow a transitional period of a year for any AFMs in this situation to realign the fund's portfolio accordingly. We would welcome feedback on whether this is an appropriate transition period for any fund in this position.

Q4.6: Do you agree with our proposed amendment to redefine what constitutes a second scheme for a FAIF and a QIS? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Q4.7: If you are the manager of a FAIF or a QIS that would need to realign its portfolio to comply with the proposed change to the rule, how long would it take to carry out the realignment in the best interests of the fund's investors?

Broadening the range of investments available under the QIS regime

- 4.27** Under the existing QIS rules, there are limits to the types of investments which can be held by a QIS. In particular, QIS are not permitted to hold interests in loans to the same extent as LTAFs. We now consider that this is unnecessarily restrictive and propose to allow QIS to invest in interests in loans to align the investment powers of the QIS and the LTAF.
- 4.28** We propose amending the QIS rule COLL 8.4.4R to incorporate a new paragraph (1A) which is similar to the provisions available to LTAFs at COLL 15.6.8R(2). This means that QIS would be able to invest in the same types of investments as the LTAF, which would include investments in loans, subject to certain conditions. We think this is proportionate, given the largely institutional investor base currently holding units in QIS.
- 4.29** Similarly, we also propose aligning the QIS rule on investment in collective investment schemes (COLL 8.4.5R) with the equivalent LTAF rule (COLL 15.6.9R).
- 4.30** The aim in modifying these rules is to facilitate the greater use of QIS and to make the fund structure more internationally competitive.

Q4.8: Do you agree with the proposal to broaden the range of investments available under the QIS regime as described above? If not, please explain why and specify what alternative approach you would suggest?

Clarifying comprehensive cover requirements for global exposure in transactions in derivatives and forward transactions in QIS

- 4.31** To make the QIS a more attractive fund vehicle by facilitating a broader range of investments, we are clarifying our expectations of how a QIS maintains cover for transactions in derivatives and forward transactions.
- 4.32** Under COLL 8.4.7R, the determination of cover for such transactions could be read as preventing the use of value-at-risk (VaR) methodologies. We acknowledge that these methodologies are widely used across the fund management industry, including in the risk management of undertakings for collective investment in transferable securities (UCITS) schemes and non-UCITS retail schemes (NURS). Consequently, we do not

consider that a QIS should be subject to any more restrictive requirements when investing in derivatives than either UCITS schemes or NURS, as QIS are predominantly used by professional investors.

- 4.33** To address this inconsistency, and to be more proportionate, we are providing new guidance at COLL 8.4.7-AG, setting out our expectations for how cover for transactions in derivatives and forward transactions may be determined for a QIS, including the use of a VaR methodology. The new guidance should give AFMs the confidence to use a wider range of derivative strategies within a QIS (subject to the applicable risk control framework which, for full-scope UK AIFMs, is set out in FUND 3.7), and should make the QIS a more attractive fund vehicle.

Q4.9: Do you agree that the new guidance clarifies the global cover requirements for transactions in derivatives and forward transactions in a QIS scheme? If not, please explain why and set out what alternative approach you would suggest?

Making minor amendments to the LTAF rules

- 4.34** We are proposing to make minor clarificatory changes to the LTAF rules to ensure consistency with the amendments we are proposing to the QIS rules. Within COLL 15.6, we are clarifying that the term 'dedicated' should be the Glossary term, the same as in the equivalent QIS rules, COLL 8.4. Similarly, we are proposing using the Glossary definition of 'scheme' in the LTAF rule COLL 15.6.9R to align it with the QIS rule.

Q4.10: Do you agree with our proposed minor non-material amendments to the LTAF rules? Do you have any other comments on the proposals?

Changing the term 'IMA SORP' to 'SORP' in COLL

- 4.35** The Glossary in our Handbook includes a defined term 'IMA SORP'. A SORP is a Statement of Recommended Practice in relation to best practice for financial reporting in a particular sector, which is prepared by a specialist body and confirmed by the Financial Reporting Council. The Investment Association (IA) is responsible for the SORP setting standards for the financial reporting of authorised collective investment schemes.
- 4.36** Due to the change of name by the (former) IMA into the IA, the references to the IMA SORP in the rules and the Glossary are no longer accurate. We propose to re-name the 'IMA SORP' as just the 'SORP' and limit the application of the Glossary definition to COLL, to avoid any confusion with any other SORPs prepared by other organisations that may be mentioned in the Handbook in future.

4.37 Specifically, in the Glossary, we propose to change the definition to '(in COLL) the Statement of Recommended Practice for financial statements of authorised funds issued by the Investment Association (formerly the Investment Management Association) on 14 May 2014'.

Q4.11: Do you agree with our proposed amendment to change references in COLL from 'IMA SORP' to 'SORP', and amend the Glossary definition accordingly? If not, please specify any changes you think could be made to achieve the aim of the amendment.

Cost benefit analysis

4.38 Section 138IA FSMA requires the FCA to consult the CBA panel about the preparation of a CBA. However, Section 138L of FSMA states that we do not need to provide a CBA where we consider that there will be no increase in costs or the increases will be of minimal significance.

4.39 We have assessed the proposed changes in this chapter and consider there are unlikely to be material costs associated with any of them. Where the proposed amendments go beyond corrections and clarifications, they are permissive rather than mandatory, in other words they will allow AFMs to take up alternative options. We do not believe the proposed adjustments will significantly alter the costs for firms.

Impact on mutual societies

4.40 Section 138K(2) of FSMA requires us to prepare a statement setting out our opinion on whether proposed rules will have an impact on mutual societies which is significantly different from the impact on other authorised persons.

4.41 We are satisfied that the proposals in this chapter would not have a significant different impact on mutual societies compared with other authorised persons.

Compatibility statement

4.42 When consulting on new rules, we are required by section 138I(2)(d) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and the importance of taking action to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.

- 4.43** We consider that the proposed amendments will make the market for fund management work well. They are compatible with our objectives and regulatory principles. The proposed amendments to permit virtual and hybrid general meetings, to allow service of notices to joint unitholders, and to enable income purification for Shariah compliant funds, will advance our operational objective of securing an appropriate degree of consumer protection. We consider that they will do so in a way that promotes effective competition.
- 4.44** The other proposed amendments primarily advance our objective of promoting effective competition in the interests of consumers, while providing appropriate levels of consumer protection and market integrity, any burdens or restrictions are proportionate to the expected benefits.
- 4.45** We are satisfied that the proposed amendments are compatible with the FCA's secondary international competitiveness and growth objective. The proposals will maintain a proportionate regulatory regime (such as by making updates or clarifications, removing inconsistencies or unnecessary restrictions) that helps to modernise the UK funds regime, making it more internationally competitive. This, in turn, facilitates the international competitiveness and growth of the UK economy.
- 4.46** In developing these proposals, we have had regard to the regulatory principles in FSMA section 3B. We consider that these proposals are proportionate and will facilitate sustainable growth. We have also had regard to the recommendations made by the Treasury in the December 2022 remit letter. We consider that these proposals will improve the attractiveness of the UK as a financial centre and will support innovation in the fund management industry.

Equality and diversity

- 4.47** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.
- 4.48** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 5

Clarificatory amendments to Chapter 19 of the Conduct of Business sourcebook (COBS)

Introduction

5.1 We are proposing to make minor changes in two unrelated sections of the Pensions Supplementary Provisions chapter of the Conduct of Business sourcebook (COBS):

- COBS 19.7 (Pensions nudge and retirement risk warnings)
- COBS 19.9 (Pension annuity comparison information)

Stronger nudge

5.2 Our stronger nudge to Pension Wise guidance rules (published in December 2021) came into force on 1 June 2022. The rules are designed to give consumers a final opportunity to take Pension Wise guidance at the point they wish to access their pensions savings, or transfer their rights under one pension scheme to another for the purpose of accessing their pension savings using a decumulation product (see COBS 19.7.2R).

5.3 Paragraph 3.4 of Consultation Paper (CP) 21/11 explained that the stronger nudge rules are triggered by decisions to access 'pensions savings', defined as 'the proceeds of a client's personal pension scheme, stakeholder pension scheme, or occupational pension scheme' (see COBS 19.7.1R(3)).

5.4 Prompted initially by a query from industry, and upon further consideration of the Handbook rules, we have concluded that changes are required to clarify:

- that the pensions savings in scope of the stronger nudge rules are not limited to pension schemes which contain insurance and regulated fund elements
- the extent to which the rules in COBS 19.7 apply in respect of benefits which are not flexible benefits

Pension annuity comparison information

5.5 Following firm queries, we have identified certain issues that require clarification in relation to our pension annuity comparison information requirements, set out in COBS 19.9 and the corresponding templates.

Summary of proposals

Stronger nudge

- 5.6** CP21/11 set out the intended scope of our rules as applying to all pension providers, including operators of self-invested personal pension plans (see for example paragraph 1.11 of CP21/11). We did not propose to limit the type of pension provider or scheme that the rules apply to, not least because all consumers who are eligible for a Pension Wise appointment should be afforded the opportunity to book and attend one. We aligned the trigger for the stronger nudge rules to the scope (at the time) of COBS 19.7 ie, decisions to access pension savings defined as 'the proceeds of a client's personal pension scheme, stakeholder pension scheme, or occupational pension scheme' (see COBS 19.7.1R(3)).
- 5.7** As proposed in CP21/11, Policy Statement (PS) 21/21 brought transfers between pension schemes (for the purpose of the consumer subsequently accessing their pensions savings) within the scope of the stronger nudge rules.
- 5.8** While we did not intend to limit the type of schemes in respect of which the rules apply, a query from a firm brought to our attention that, in the context of transfers in COBS 19.7.2R(2), COBS 19.7.7R(6), COBS 19.7.7AG and COBS 19.7.7BR, the Handbook definition of 'pension scheme' could be interpreted as more limited than intended. This is because the definition contains references to contributions being made to a long-term insurer or a regulated collective investment scheme only. However, the application provision in COBS 19.7.2R(2) seeks to capture transfers between pension schemes for the purpose of accessing pension savings using a decumulation product (not just transfers involving schemes which contain insurance or regulated fund elements).
- 5.9** To achieve greater clarity, we propose to amend our rules so that it is clear that the stronger nudge triggers in COBS 19.7(5) and COBS 19.7(6), and the steps set out in COBS 19.7 should be followed for:
- a.** withdrawals of rights derived from 'flexible benefits' in circumstances where all of the rights in any particular product or scheme in the clients pensions savings are being reduced to zero; and
 - b.** transfers of rights in respect of 'flexible benefits' either accrued under their existing personal pension scheme, or accrued under their existing arrangement, and transferred to a personal pension scheme, for the purposes of taking one of the actions set out in COBS 19.7.7R(1) to (5). (For the purposes of COBS 19.7, personal pension scheme is to be read as including a stakeholder pension scheme and for the avoidance of doubt, includes a free-standing additional voluntary contribution (FSAVC), a retirement annuity contract and a pension buy-out contract.)
- 5.10** The definition of 'flexible benefits' in legislation (in our Handbook and section 74 of the Pensions Schemes Act 2015), includes not only money purchase benefits and cash balance benefits but also a benefit structure which provides a sum of money at the member's retirement date, which is subject to an additional guarantee, such as the option of a guaranteed annuity rate offered by a scheme before the member becomes entitled to receive their pension (see paragraphs 243 to 244 of the explanatory notes

of the Pension Schemes Act 2015). The definition includes all those benefit categories which fall within the scope of the pension freedoms (the flexibilities introduced by the Taxation of Pensions Act 2014) ie, the flexibilities in respect of which Pension Wise was established to offer guidance.

5.11 These changes make clearer than before that a firm's communications with a retail client are in scope of COBS 19.7, where they concern a decision in principle to:

- transfer safeguarded benefits' rights which are also flexible benefits;
- transfer rights in respect of both flexible benefits and benefits which are not flexible benefits (for example, additional voluntary contributions (AVCs) which are attached to a deferred annuity contract), but only in relation to the transfer of the flexible benefits rights;
- vary a pension of or including non-flexible benefits in order to:
 - a. access pension savings using a drawdown pension; or
 - b. make an uncrystallised funds pension lump sum payment because the variation and the access decision (of the subsequent flexible benefits) is more likely than with a transfer to form part of the same communication, and Pension Wise can offer guidance on these access options.

5.12 A transfer of rights which are safeguarded but not also flexible benefits is outside the scope of COBS 19.7. This is what we intended when we explained in paragraph 2.11 of PS21/21 that the application of COBS 19.7 is limited to defined contribution (DC) to DC transfers or switches, rather than defined benefit (DB) to DC transfers. This position is consistent with the Department for Work and Pension's (DWP) regulations for occupational pension schemes where the nudge requirements only apply to transferring rights of flexible benefits and reflects that the guidance that Pension Wise offers concerns only the consumer's options in relation to their flexible benefits.

5.13 It is worth noting, however, that in such scenarios:

- the consumer must obtain appropriate independent advice (where the value of safeguarded benefits being transferred is more than £30,000); and
- the stronger nudge will be triggered for the receiving firm when (after the transfer is completed) it subsequently communicates with a retail client about a decision in principle to take one of the actions listed in COBS 19.7.7R in respect of that new scheme.

Q5.1: Do you agree with the changes proposed in relation to COBS 19.7?

Pension annuity comparison information

5.14 We have identified that the templates in Parts 4 to 6 of COBS 19 Annex 3 still include the address of the old Money Advice Service webpage for annuity comparisons. We propose to update these references with the MoneyHelper web-page address, in line with the changes introduced following CP21/27 (Chapter 4). Given the Money Advice Service

webpage address currently redirects to the MoneyHelper webpage, we propose to give firms up to 12 months (from when we make our final rules) to implement this change, which should enable them to make this change as part of their business-as-usual cycles.

- 5.15** We have also identified that the headings to the templates in Parts 3 and 6 of COBS 19 Annex 3 could be misread as suggesting that they should be used where a retail client refuses to answer questions to determine whether they are eligible for an enhanced annuity but does consent to a market leading pension annuity quote being generated. We therefore propose to remove the references to enhanced annuities in the headings to the templates in Parts 3 and 6 of COBS 19 Annex 3, so that they only refer to these templates being used where a retail client does not consent to a market leading annuity quote being generated at all.
- 5.16** We also propose to make it clearer in the rules that the template in Part 6 of COBS 19 Annex 3 is to be used where the client is asking for an income-driven annuity quote but refuses to consent to a market leading quote being generated, so as to better distinguish it from the template in Part 3.

Q5.2: Do you agree with the changes proposed in relation to COBS 19.9 and its annexes?

Cost benefit analysis

- 5.17** Section 138I of the Financial Services and Markets Act 2000 (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules.
- 5.18** Section 18 of the Financial Guidance and Claims Act 2018, which amends FSMA, required us to make rules for providers to 'nudge' consumers to Pension Wise when they apply to access or transfer their pension savings. In this instance, section 18 amended FSMA so that the requirement to carry out a CBA (under section 138I) does not apply in relation to amendments made under section 137FB of FSMA. Given that the stronger nudge proposals in this paper clarify rather than alter the policy intent of the original rules, we have not conducted a CBA.
- 5.19** In relation to the pension annuity comparison amendments, we expect some firms may already be using the MoneyHelper webpage address in their market leading pension annuity quotes. For those which are not, we intend to give firms up to 12 months to implement the changes we are proposing which should enable them to make these changes as part of their business-as-usual cycles. The other changes we are proposing simply clarify the existing rules rather than impose new requirements on firms. For these reasons, we expect firms to incur minimal or no additional costs as a result of these proposals; as such, we have not conducted a CBA, as per the exemption under section 138L(3) of FSMA which says that section 138I(2)(a) does not apply where we consider that there will be no increase in cost, or the increase will be of minimal significance.

Impact on mutual societies

- 5.20** Section 138K(2) of FSMA requires us to prepare a statement setting out our opinion on whether proposed rules will have an impact on mutual societies which is significantly different from the impact on other authorised persons.
- 5.21** We do not expect any of these proposals to have a significantly different impact on mutual societies than other authorised persons or present them with any more or less burden than other authorised persons.

Compatibility statement

- 5.22** When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives, and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
- 5.23** For the reasons described in the Compatibility Statement set out in Annex 3 of CP21/11, we are satisfied that the proposed amendments in relation to COBS 19.7 are compatible with our objectives and regulatory principles, noting that they give full effect to or are entirely consistent with the policy intent as set out in that CP. The amendments are primarily intended to advance our operational objective of securing an appropriate degree of consumer protection.
- 5.24** We are satisfied that our proposed changes for COBS 19.9 are compatible with our objectives and regulatory principles. They make minor tidying-up or clarificatory changes supporting the aim of our existing rules in COBS 19.9 to prompt consumers to shop around and, where appropriate, switch provider before they purchase an annuity. As a result, they advance our operational objectives of securing an appropriate degree of consumer protection, promoting market integrity and helping to promote effective competition in the interests of consumers.
- 5.25** In both cases, we are satisfied that any burdens or restrictions are proportionate to the expected benefits. We are also satisfied that the proposed amendments are compatible with the FCA's secondary international competitiveness and growth objective. They remove ambiguities which, with no material cost to firms, should consequently help increase their operational efficiency in meeting our requirements. In turn, this helps promote better outcomes for consumers through more choice and increasing trust and confidence in this market.

Equality and diversity

- 5.26** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.
- 5.27** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 6

Changes to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) and the Interim Prudential sourcebook for Investment Businesses (IPRU-INV) to provide clarification

Introduction

- 6.1** The Investment Firms Prudential Regime (IFPR) came into force on 1 January 2022. This created the Prudential sourcebook for MiFID investment Firms (MIFIDPRU), that applies to all UK Markets in Financial Instruments Directive (MiFID) investment firms.
- 6.2** We propose to make some amendments to MIFIDPRU 1, 4, 7 and 8 to further clarify its requirements.
- 6.3** The Interim Prudential sourcebook for Investment Businesses (IPRU-INV) covers the prudential requirements for various types of non-MiFID investment firms. IPRU-INV 1 sets out the scope of application and defines the firms subject to the IPRU-INV regime.
- 6.4** We propose minor amendments to IPRU-INV 1.2 to remove some references that have been identified as no longer relevant.

Summary of proposals

MIFIDPRU 1.2.1R Basic conditions for classification as an SNI MIFIDPRU investment firm

- 6.5** The prudential requirements of a firm subject to MIFIDPRU are based on the permissions granted to it and the activities it undertakes. To qualify as a small and non-interconnected (SNI) investment firm, a firm must satisfy all the size and activity-based conditions which define a SNI.
- 6.6** We have been made aware that the Handbook text does not quite match the policy intent around the SNI criteria. Our first IFPR Consultation Paper (CP) [20/24](#) proposed that investment firms that have permission to undertake MiFID activities (3) and/or (6) – ie, dealing on its own account and underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis respectively – could not be an SNI firm. Policy Statement (PS) [21/6](#) then confirmed our overall proposals for the SNI categorisation.

- 6.7** However, while the Handbook text refers specifically to the activity of dealing on own account, it did not capture the intention for the criteria to also apply to underwriting or placing financial instruments on a firm commitment basis. This also reflects section 14 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, where the definition of dealing as principal covers underwriting securities.
- 6.8** We therefore propose to amend MIFIDPRU 1.2.1R(5) to explicitly state that an SNI firm is one which does not have permission to deal on own account and cannot undertake the underwriting of financial instruments or place them on a firm commitment basis. This will clarify and reinforce the original policy intent.

MIFIDPRU 4.14.20R – Effective notional amount

- 6.9** We have become aware that the explanation for calculating the notional amount for equity and commodity derivatives contracts and emissions allowances, and derivatives thereof in MIFIDPRU 4.14.20R(2)(b) may be unclear and result in firms not applying it as intended. The calculation, which forms part of the trading counterparty default requirement, should use the market price of 1 unit of the underlying instrument.
- 6.10** We propose to amend the wording of MIFIDPRU 4.14.20R(2)(b) to provide greater clarity by adding the word 'underlying' before the word 'instrument' in the text.
- 6.11** This amendment will ensure that firms calculate the effective notional amount correctly and is consistent with a purposive reading of the current text.

MIFIDPRU 7.9.9G – Internal Capital Adequacy and Risk Assessment (ICARA) process for groups

- 6.12** MIFIDPRU 7.9 sets out the Internal Capital Adequacy and Risk Assessment (ICARA) process for an investment firm group (IFG). An IFG can choose to operate a group ICARA process if the business of the IFG and the risks arising from it are operated and managed on a group basis. To do so, the IFG must meet the conditions in MIFIDPRU 7.9.5R. There are also some situations where an IFG must not operate a group ICARA process. These are set out in MIFIDPRU 7.9.7R.
- 6.13** One respondent to Q2.3 of the June 2023 Quarterly Consultation Paper ([CP23/14](#)) regarding our proposal to amend MIFIDPRU 7.9.9G(3), suggested that it would be helpful to explain that the effect of any intra-group offsets should be reversed when allocating requirements to individual MIFIDPRU firms under a group ICARA process.
- 6.14** As the above suggestion was not part of what we consulted on in [CP23/14](#), we now propose a second amendment to MIFIDPRU 7.9.9G(3) to this effect. We agree that it would be beneficial to clarify that any such offset should be accounted for and removed. Were such an offset to be allowed, the allocation of own funds and/or liquid assets from the IFG level to the firm level may not accurately reflect the risk profile of the individual firms, which would not be in line with the original policy intention.

- 6.15** Finally, for clarity in the text, we are moving existing wording in MIFIDPRU 7.9.9G(3) to the 'new' paragraphs MIFIDPRU 7.9.9G(3B) and (3C) in the same provision. There is no change to this part of the provision other than the numbering of the paragraphs.

MIFIDPRU 8 Annex 1R – Disclosure template for information required under MIFIDPRU 8.4.1R in respect of own funds

- 6.16** The disclosure template at MIFIDPRU 8 Annex 1R must be used by MIFIDPRU firms for the public disclosure of own funds information as required by MIFIDPRU 8.4.1R. Whilst the template provides consistency for limited companies, we have been made aware that further clarification on how the template should be used by partnerships and limited liability partnerships may be helpful.
- 6.17** We propose to add a note to the template explaining that MIFIDPRU investment firms that are partnerships or limited liability partnerships should adjust the template's content as relevant to the type of legal entity and its corresponding accounts. For example, under the heading 'Composition of regulatory own funds' such firms may add a new item such as 'Partner's account' (where the MIFIDPRU investment firm is a partnership) or 'Member's account' (where the MIFIDPRU investment firm is a limited liability partnership). This is consistent with the requirements for recognition as own funds for such entities set out in MIFIDPRU 3.3.16R and MIFIDPRU 3.3.17R.

Q6.1: Do you agree with our proposed amendments to MIFIDPRU?

IPRU-INV 1.2 – Application

- 6.18** IPRU-INV 1.2 states the scope of application of the chapter and defines the firms subject to the IPRU-INV regime. We have been made aware of 2 redundant provisions in this chapter. Since 1 April 2013, credit unions have been prudentially regulated by the Prudential Regulatory Authority (PRA). There are references to a credit union which is a Child Trust Fund (CTF) provider. Such a firm is also referred to Chapter 8 of IPRU-INV, which has since been deleted from the Handbook. We propose to amend IPRU-INV 1.2.2R(1)(i) to remove the reference to a credit union which is a CTF provider from the list of firms to which the regime applies to.
- 6.19** We also propose to amend the table in IPRU-INV 1.2.5R by removing the bottom row which refers to Chapter 8 and a credit union which is a CTF provider.

Q6.2: Do you agree with our proposed amendments to IPRU-INV 1.2?

Materiality

- 6.20** This section explains why we consider that the proposed changes to our MIFIDPRU rules and guidance made under Part 9C of the Financial Services and Markets Act 2000 (FSMA) are not material under section 143 of FSMA. It does not apply to those rules that have been made under our general FSMA rule-making power which include the proposed amendments to IPRU-INV 1.2.2R and IPRU-INV 1.2.5R.
- 6.21** In our opinion, the proposed changes to our existing rules within this chapter are not material under sections:
- 143G(1) of FSMA – because we consider that they do not affect standards set by an international body or the relative standing of the UK as a place for internationally active investment firms to be based or to carry on activities; and are not relevant to the carbon target in section 1 of the Climate Change Act 2008
 - 143I(3) and 143I(5) of FSMA – because they do not affect relevant equivalence decisions
- 6.22** More generally, we do not consider that they materially change any risks to consumers, the market or the UK financial system arising from FCA investment firms.
- 6.23** Our proposed changes are intended to clarify the interpretation of, and to correct errors in relation to, existing rules and guidance for FCA investment firms and, where applicable, UK parent entities of IFGs that are subject to prudential consolidation under MIFIDPRU 2.5. We do not consider that they will impose substantive new obligations on firms or parent entities and therefore we do not expect them to increase the operational burden.
- 6.24** When we made the original rules in [PS21/17](#), we considered the application of our duties under Part 9C of FSMA at that time and explained how we considered that our rules discharged those duties. We consider that the minor amendments to rules and guidance that we are proposing in this chapter would not materially change our approach to monitoring and supervising the relevant underlying risks, and that the clarifications being proposed would facilitate the implementation of the existing obligations by the relevant firms or parent entities.

Cost benefit analysis

- 6.25** Sections 1381(2)(a) of FSMA requires us to publish a cost benefit analysis (CBA) when proposing draft rules. However, section 138L of FSMA states that we do not need to provide a CBA where we consider that there will be no increase in costs, or the increases will be of minimal significance.
- 6.26** We consulted on the costs and benefits of the IFPR in [CP21/26](#). We do not believe that our proposed changes and clarifications will alter the costs and benefits of the IFPR for firms. The cost benefit analysis in [CP21/26](#) remains unchanged and applies to this consultation.

Impact on mutual societies

- 6.27** Section 138K(2) of FSMA requires us to prepare a statement setting out our opinion on whether proposed rules will have an impact on mutual societies which is significantly different from the impact on other authorised persons.
- 6.28** We are satisfied that the proposals in this chapter would not have a significantly different impact on mutual societies compared with other authorised persons.

Compatibility statement

- 6.29** When consulting on new rules, we are required by section 138I(2) of FSMA to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives, and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA and for the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
- 6.30** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. The amendments advance our operational objectives of securing an appropriate degree of consumer protection and promoting effective competition in the interests of consumers. It is also compatible with the FCA's secondary international competitiveness and growth objective. The proposed changes in particular provide clarity for firms giving effect to the intention of our rules and will help firms to understand the requirements on them more easily, increasing their efficiency in being able to meet them. We are satisfied that any burdens or restrictions are proportionate to the expected benefits.

Equality and diversity

- 6.31** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment). In Northern Ireland, the Equality Act is not enacted but other anti-discrimination legislation applies.
- 6.32** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Chapter 7

Making references to enactments in Handbook rules ambulatory

Introduction

- 7.1** At present, references in the FCA Handbook to enactments (other than references to the FCA Handbook, PRA Handbook or certain provisions of retained EU law) are generally not ambulatory in nature. This means that such references to enactments are presently static – for instance, a reference to section 1A of the Financial Services and Markets Act (FSMA) 2000 that was added to the Handbook on 1 January 2023 would generally be to section 1A of FSMA 2000 as it stood on 1 January 2023 and would not pick up any subsequent changes to that provision unless a later Handbook instrument updated the reference. This can make it difficult to interpret the Handbook, as Handbook users must, in theory, analyse amending instruments to determine which historic version of an enactment the Handbook refers to. We mitigate the effects of this issue by periodically updating the Glossary definitions of enactments through Handbook instruments. However, this means updates to the Handbook definitions may be made at a different time to amendments to enactments.

Summary of proposals

- 7.2** Section 66 of FSMA 2023 made amendments to FSMA 2000 so that FCA rules can make ambulatory references to enactments. Our proposal is to use this new power to amend Chapter 2.2 of the General Provisions manual (GEN) to make all references to enactments in the Handbook rules (including Glossary terms where they are used by rules) ambulatory in nature unless there is a contrary indication.
- 7.3** The proposed change will make it easier for Handbook users to establish what Handbook rules require, as users will not need to determine which historic version of an enactment a reference relates to.
- 7.4** The proposed change will mean that amendments to enactments will flow automatically through to Handbook rules. For instance, if a Handbook rule refers to activities specified in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (RAO) and the Government amended the RAO to expand its scope, this would automatically expand the scope of the corresponding provision in the FCA Handbook. This will limit the need for Handbook definitions to be updated on an ad-hoc basis and ensure that Handbook rules stay in step with legislative developments as they occur. We will continue to monitor legislative changes which could affect Handbook references and make any consequential or transitional provisions that might be needed.

Q7.1: Do you agree with our proposed changes to GEN 2.2? If not, please explain why.

Cost benefit analysis

- 7.5** Section 138I of FSMA 2000 requires us to publish a cost benefit analysis (CBA) when proposing draft rules. However, 138L(3) of FSMA 2000 provides that we do not need to prepare a CBA where we consider that there will be no increase in costs or any increase will be of minimal significance. We have assessed the proposed changes in this chapter and consider there will be no significant costs associated with them.
- 7.6** We believe most Handbook users are unaware that references to enactments in the Handbook are not ambulatory in nature. Furthermore, as noted in the introduction above, we have generally sought to update legislative references on an ongoing basis.
- 7.7** Consequently, the practical effect of the change will be limited to only those legislative references that are not up to date. Further, it would only have practical effects for those Handbook users who view such references as currently being non-ambulatory in nature. We therefore take the view that the proposed change does not have any significant effect and should not result in any increase in costs or, if there is an increase in costs, it is of minimal significance. Indeed, the change is likely to save costs in the form of reduced resource, both for the FCA and other Handbook users. In particular, it will prevent the need for Handbook users to engage in the time consuming task of determining which version of an enactment a Handbook rule refers to and it will limit the need for the FCA to make instruments update ambulatory references on an ongoing basis.

Impact on mutual societies

- 7.8** Section 138K of FSMA 2000 requires us to state whether, in our opinion, our proposed rules have a significantly different impact on authorised persons who are mutual societies compared with other authorised persons. We do not expect the proposals to have a significantly different impact on mutual societies.

Compatibility statement

- 7.9** When consulting on new rules, we are required by section 138I(2) of FSMA 2000 to explain why we believe that making the proposed rules is consistent with our strategic objective, advances one or more of our operational objectives and (so far as reasonably possible) the secondary international competitiveness and growth objective. Further, we must have regard to the regulatory principles in section 3B of FSMA 2000 and the importance of taking action intended to minimise financial crime (section 1B(5)(b) of FSMA 2000). We are also required to have regard to the principles in the Legislative and Regulatory Reform Act 2006 and the Regulators' Compliance Code.
- 7.10** We are satisfied that the proposed amendments are compatible with our objectives and regulatory principles. The proposed amendment will make it easier to interpret

the Handbook, ensuring that firms can more easily comply with their obligations – something which is both compatible with our strategic objective and furthers our integrity objective. We consider these proposals to be compatible with the FCA's secondary international competitiveness and growth objective as the proposals will simplify the regulatory regime for firms.

Equality and diversity

- 7.11** We have considered the equality and diversity issues that may arise from the proposed amendments. We have not identified any adverse impact that the proposals in this chapter would have on any of the groups with protected characteristics under the Equality Act 2010 (ie, age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment).
- 7.12** We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when publishing the final rules. In the meantime, we welcome comments on any equality and diversity considerations respondents believe may arise.

Annex 1

Abbreviations used in this paper

Abbreviation	Description
AFM	Authorised fund manager
AVCs	Additional voluntary contributions
CASS	Client Assets sourcebook
CBA	Cost benefit analysis
CISI	Chartered Institute for Securities and Investment
COBS	Conduct of Business sourcebook
COLL	Collective Investment Schemes sourcebook
CONC	Consumer Credit sourcebook
COVID-19	Coronavirus
CP	Consultation Paper
CREDS	Credit Unions sourcebook
CTF	Child Trust Fund
CUA79	Credit Unions Act 1979
DB	Defined benefit
DC	Defined contribution
DP	Discussion Paper
DWP	Department for Work and Pensions
ESG	Environmental, social and governance
FAIF	Fund of alternative investment funds
FSAVC	Free-standing additional voluntary contribution

Abbreviation	Description
FSMA 2000	The Financial Services and Markets Act 2000
FSMA 2023	The Financial Services and Markets Act 2023
FUND	Investment Funds sourcebook
GEN	General Provisions manual
IA	Investment Association
ICARA	Internal Capital Adequacy and Risk Assessment
ICMA	International Capital Market Association
ICOBS	Insurance: Conduct of Business sourcebook
IFG	Investment firm group
IFPR	Investment Firms Prudential Regime
IMA SORP	Investment Management Association Statement of Recommended Practice
IPRU-INV	Interim Prudential sourcebook for Investment Businesses
LTAF	Long-Term Asset Fund
MiFID	UK Markets in Financial Instruments Directive
MIFIDPRU	Prudential sourcebook for MiFID Investment Firms
MIPRU	Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
NURS	Non-UCITS retail scheme
OCP	Operations Certificate Programme
PRA	Prudential Regulatory Authority
PROD	Product Intervention and Product Governance sourcebook
PS	Policy Statement
QIS	Qualified investor scheme
RAO	The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

Abbreviation	Description
RDR	Retail Distribution Review
SM&CR	Senior Managers and Certification Regime
SNI	Small and non-interconnected
SORP	Statement of Recommended Practice
SUP	Supervision manual
TC	Training and Competence
UCITS	Undertakings for collective investment in transferable securities
VaR	Value-at-risk

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure. We will only publish the name of a respondent to a consultation where that respondent has consented to that publication.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk.

Request an alternative format

Please complete this [form](#) if you require this content in an alternative format.

Or call 020 7066 6087



Sign up for our **news and publications alerts**

Appendix 1

List of questions

- Q2.1:** Do you have any comments on the proposed changes to the qualifications table in TC App 4.1?
- Q3.1:** Do you agree with our proposal to remove CREDS 1.1.2G and CREDS 1.1.2AG, and amend CREDS 1.1.4G to explain when CREDS applies to credit unions? If not, please explain why.
- Q3.2:** Do you agree with our proposal to add 'hire purchase' and 'conditional sales agreements' to CREDS 2.2.31G(9), CREDS 2.2.35G and CREDS 2.2.45G(7)? If not, please explain why.
- Q3.3:** Do you agree with our proposal to define our usage of 'lending' for the purpose of CREDS 7 at CREDS 7.1.2A and amend the wording in CREDS 7 from loans to 'lending'? If not, please explain why.
- Q3.4:** Do you agree with our proposal to remove CREDS 7.1.3G(1), CREDS 7.1.3G(1A), CREDS 7.1.3G(2) and CREDS 7.1.4G, and to reference Section 11E at CREDS 7.1.3G? If not, please explain why.
- Q3.5:** Do you agree with our proposal to remove CREDS 8.2.6R and CREDS 8.2.6AR? If not, please explain why.
- Q3.6:** Do you agree with our proposed amendments to CREDS 10? If not, please explain why.
- Q4.1:** Do you agree with our proposed amendments to general meetings to enable virtual/hybrid options for unitholders? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q4.2:** Do you agree with our proposed amendments for giving notices when there are joint unitholders? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q4.3:** Do you agree with our proposal to allow Shariah compliant payments from the income property of an authorised fund? If not, please specify any changes you think could be made to achieve the aim of the amendment.

- Q4.4:** Do you agree with our proposed guidance around how the rules work for the first accounting period for a new sub-fund within an existing umbrella? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q4.5:** Do you agree with our proposed amendment to allow payments to a fund's capital and income account to be allocated at unit class level? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q4.6:** Do you agree with our proposed amendment to redefine what constitutes a second scheme for a FAIF and a QIS? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q4.7:** If you are the manager of a FAIF or a QIS that would need to realign its portfolio to comply with the proposed change to the rule, how long would it take to carry out the realignment in the best interests of the fund's investors?
- Q4.8:** Do you agree with the proposal to broaden the range of investments available under the QIS regime as described above? If not, please explain why and specify what alternative approach you would suggest?
- Q4.9:** Do you agree that the new guidance clarifies the global cover requirements for transactions in derivatives and forward transactions in a QIS scheme? If not, please explain why and set out what alternative approach you would suggest?
- Q4.10:** Do you agree with our proposed minor non-material amendments to the LTAF rules? Do you have any other comments on the proposals?
- Q4.11:** Do you agree with our proposed amendment to change references in COLL from 'IMA SORP' to 'SORP', and amend the Glossary definition accordingly? If not, please specify any changes you think could be made to achieve the aim of the amendment.
- Q5.1:** Do you agree with the changes proposed in relation to COBS 19.7?

- Q5.2:** Do you agree with the changes proposed in relation to COBS 19.9 and its annexes?
- Q6.1:** Do you agree with our proposed amendments to MIFIDPRU?
- Q6.2:** Do you agree with our proposed amendments to IPRU-INV 1.2?
- Q7.1:** Do you agree with our proposed changes to GEN 2.2? If not, please explain why.

Appendix 2

Amendments to the Training and Competence (TC) sourcebook

**TRAINING AND COMPETENCE SOURCEBOOK (AMENDMENT No 12)
INSTRUMENT 2023**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the “Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 138C (Evidential provisions).
- 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 on *[date]*.

Amendments to the Handbook

- D. The Training and Competence sourcebook (TC) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Training and Competence Sourcebook (Amendment No 12) Instrument 2023.

By order of the Board
[date]

Annex

Amendments to the Training and Competence sourcebook (TC)

In this Annex, underlining indicates new text.

App **Appropriate Qualification tables**

App 4.1 **Appropriate Qualification tables**

...

Extent to which the qualification meets the qualification requirement in relation to non-RDR activities

...

App 4.1.1D E Part 2: Appropriate Qualifications Tables

...

Qualification provider	Qualification	Activity Number(s)	Key
...			
Chartered Institute of Public Finance and Accountancy	Fellow or Associate	15, 16, 17, 18, 19	4
Chartered Institute for Securities and Investment (CISI) - (Formerly the Securities and Investment Institute (SII); formerly The Securities Association)	Certificate in Pension Transfers and Planning Advice (when combined with an RDR compliant qualification for Activities 4 and 6)	11	1
	...		
	Investment Advice Diploma (where candidate holds 3 modules including the securities module)	2, 12	a
	Masters in Wealth Management (Post	2, 3, 4 and 6, 12, 13	

	2010 examination standards) <u>CISI Level 7 Diploma in Wealth Management (also known as the Chartered Wealth Manager Qualification) (Formerly known as Masters in Wealth Management) (Post 2010 examination standards))</u>		
	...		
	Diploma (where candidate holds 3 modules as recommended by the firm) <u>(Pre 01/01/2017)</u>	2, 3, 4 and 6, 12, 13	b
	Investment Advice Certificate <u>(Pre 17/07/2006)</u>	2, 3, 4 and 6, 12, 13	b
	...		
	Certificate in Corporate Finance <u>(Pre 01/04/2024)</u>	8	1
		15, 16, 17, 18, 19	4
	Certificate in Derivatives - Paper 2 <u>(Pre 01/04/2024)</u>	15, 16, 17, 18, 19	4
	...		
	Certificate in Investment Management - Paper 2 <u>(Pre 01/01/2014)</u>	8	2
		14 and 10	
	Certificate in Securities <u>(Pre 01/04/2024)</u>	8	1

	Certificate in Securities - Paper 2 (Pre 01/04/2024)	15, 16, 17, 18, 19	4
	...		
	Diploma (Pre 01/01/2017)	15, 16, 17, 18, 19	4
	...		
	Diploma - Global Operations Management Module (Pre 01/04/2024)	15, 16, 17, 18, 19	4
		15, 16, 17	5
			6
	<u>Global Operations Management Module</u>	<u>16</u>	<u>6</u>
	...		
	Diploma (must include a pass in Regulation and Compliance Paper) (Pre 01/01/2017)	8	1
	Diploma (where candidate holds 3 modules as recommended by the firm) (Pre 01/01/2017)	14 and 10	1
	Diploma in Corporate Finance (awarded jointly joint programme with The Institute of Chartered Accountants in England and Wales)	8	1
	...		

	Investment Advice Certificate (<u>Pre 17/07/2006</u>)	14 and 10	1
	Investment Advice Certificate - Paper 1 (<u>Pre 17/07/2006</u>)	15, 16, 17, 18, 19	4
	...		5
	Investment Advice Certificate - Paper 2 (<u>Pre 17/07/2006</u>)	18, 19	6
	...		
	Investment Operations Certificate - Asset Servicing Module (<u>Pre 01/04/2024</u>)	15, 16, 17	6
	<u>Investment Operations Certificate - Asset Servicing Module (Post 31/03/2024)</u>	<u>16</u>	<u>6</u>
	...		
	Investment Operations Certificate - Collective Investment Schemes Administration Module (<u>Pre 01/04/2024</u>)	15, 16, 17	6
	<u>Investment Operations Certificate - Collective Investment Schemes Administration Module (Post 31/03/2024)</u>	<u>15</u>	<u>6</u>
	...		

	Investment Operations Certificate - Global Securities Operations Module (Pre 01/04/2024)	17	6
	Investment Operations Certificate - Global Securities Operations Module (Pre 01/04/2024)	16	6
	...		
	Investment Operations Certificate - Operational Risk Module (Pre 01/04/2024)	15, 16, 17	6
	...		
	Investment Operations Certificate - Platforms, Wealth Management and Service Providers (Pre 01/04/2024)	15, 16	6
	<u>Investment Operations Certificate - Platforms, Wealth Management and Service Providers (Post 31/03/2024)</u>	<u>16</u>	<u>6</u>
	...		
	Investment Operations Certificate - Transfer Agency Administration & Oversight Module (Pre 21/12/2023)	15, 16, 17	6

	<u>Investment Operations Certificate - Transfer Agency Administration & Oversight Module (Post 20/12/2023)</u>	<u>16</u>	<u>6</u>
	Level 3 Certificate in Investments (Derivatives) - Unit 3 (Pre 01/04/2024)	15, 16, 17, 18, 19	4
	...		
	Level 3 Certificate in Investments (Securities) (Pre 01/04/2024)	8	1
	Level 3 Certificate in Investments (Securities) - Unit 2 (Pre 01/04/2024)	15, 16, 17, 18, 19	4
	...		
	Masters in Wealth Management <u>CISI Level 7 Diploma in Wealth Management (also known as the Chartered Wealth Manager Qualification) (formerly known as Masters in Wealth Management)</u>	14 and 10	1
	...		
...			
Financial & Legal Skills Partnership (formerly the Financial Skills Partnership/Financial Services Skills Council (FSP/FSSC))	...		

ICMA Centre/-University of Reading (Formerly ISMA Centre/-University of Reading)	Diploma in Capital Markets, Regulation and Compliance	17	5
	Operations Certificate Programme (OCP) (Until January 2020)	16, 17	6
...			
Insurance Sector Education and Training Authority	...		
<u>International Capital Markets Association (ICMA)</u>	<u>Operations Certificate Programme (OCP)</u>	<u>16, 17</u>	<u>6</u>
...			

Appendix 3

Consequential amendments to the Credit Unions sourcebook (CREDS) as a result of legislative changes to the Credit Unions Act 1979

CREDIT UNIONS SOURCEBOOK INSTRUMENT 2024

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of:
- (1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (the FCA’s general rules);
 - (b) section 137T (General supplementary powers); and
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- 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 on [*date*].

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Credit Unions sourcebook (CREDS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Credit Unions Sourcebook Instrument 2024.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

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

- | | |
|-----------------------------------|---|
| <i>conditional sale agreement</i> | <p>(1) <u>(except as specified in this definition)</u> in accordance with article 60L of the <i>Regulated Activities Order</i>, an agreement for the sale of <i>goods</i> or <i>land</i> under which the purchase price or part of it is payable by instalments, and the property in the <i>goods</i> or <i>land</i> is to remain with the seller (notwithstanding that the buyer is to be in possession of the <i>goods</i> or <i>land</i>) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled.</p> <p>(2) <u>(in CREDS) has the meaning given in section 31(1) of the Credit Unions Act 1979.</u></p> |
| <i>hire-purchase agreement</i> | <p>(1) <u>(except as specified in this definition)</u> in accordance with article 60L of the <i>Regulated Activities Order</i>, an agreement:</p> <p>...</p> <p>...</p> <p>(iii) ...</p> <p>(2) <u>(in CREDS) has the meaning given to ‘hire purchase agreement’ in section 31(1) of the Credit Unions Act 1979.</u></p> |

Annex B

Amendments to the Credit Unions sourcebook (CREDS)

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

1 Introduction

1.1 Application and purpose

Application

...

- 1.1.2 G (1) ~~CREDS covers only the requirements associated with a Part 4A permission to accept deposits. The Conduct of Business sourcebook (COBS) sets out additional requirements for credit unions that are CTF providers in relation to cash deposit CTFs. [deleted]~~
- (2) ~~Other permissions are covered elsewhere in the Handbook. So, for example, a credit union seeking a permission to undertake a regulated mortgage activity would need to comply with the requirements in the Mortgages and Home Finance: Conduct of Business sourcebook (MCOB), and a credit union seeking a permission to undertake insurance distribution activity in relation to non-investment insurance contracts would need to comply with the requirements in the Insurance: Conduct of Business sourcebook (ICOBS). [deleted]~~
- (3) ~~The provisions of the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU) may also be relevant to a credit union whose Part 4A permission includes insurance distribution activity or home finance mediation activity. [deleted]~~

- 1.1.2A G ~~A credit union seeking a permission to undertake a credit-related regulated activity would need to comply with the requirements in the Consumer Credit sourcebook (CONC). [deleted]~~

Purpose

- 1.1.4 G *CREDS sets out rules and guidance that are specific to credit unions. CREDS 10 refers to other more generally applicable provisions of the Handbook that are likely to be relevant to credit unions with, including those with other permissions to carry out regulated activities in addition to Part 4A permission to accept deposits. For details of these provisions, we would expect credit unions to access the full text in the Handbook.*

...

2 Senior management arrangements, systems and controls

...

2.2 General provisions

...

The compliance function

...

2.2.31 G Some important compliance issues include:

...

(9) limits on shares ~~and~~, loans and conditional sale agreements and hire-purchase agreements;

...

Management information

...

2.2.35 G In forming a view on whether the management information system is sufficiently comprehensive, the *governing body* should consider whether, where relevant, the substance of reports provides a clear statement of loans, conditional sale agreements and hire-purchase agreements, arrears and provisions. These matters should be compared against limits, ratios and other parameters set by the *governing body*, as well as regulatory requirements.

...

Internal Audit

...

2.2.45 G The internal audit work programme should include items such as:

...

(7) checking loan, conditional sale agreement and/or hire purchase agreement applications;

...

...

7 Lending to members

7.1 Application, purpose and interpretation

...

Purpose

- 7.1.2 G (1) This chapter seeks to protect the interests of *credit unions'* members in respect of loans to members under section 11 of the Credit Unions Act 1979 or article 28 of the Credit Unions (Northern Ireland) Order 1985 lending. *Principle 4* requires *credit unions* to maintain adequate financial resources.

Interpretation

- 7.1.2A G (1) For the purpose of this chapter, 'lending' means:
- (a) in relation to *Great Britain credit unions*, loans under section 11 of the Credit Unions Act 1979, *conditional sale agreements* and/or *hire-purchase agreements* under section 11E of the Credit Unions Act 1979; or
 - (b) in relation to *Northern Ireland credit unions*, loans under article 28 of the Credit Unions (Northern Ireland) Order 1985.
- (2) For the purpose of this chapter, the expression 'lend' should be interpreted by reference to the term 'lending'.
- 7.1.3 G The *rules and guidance* in this chapter are in addition to the provisions of (in relation to *Great Britain credit unions*) section 11 and section 11E of the Credit Unions Act 1979 and (in relation to *Northern Ireland credit unions*) article 28 of the Credit Unions (Northern Ireland) Order 1985 ~~in relation to loans made by *credit unions*. Under these provisions.~~
- (1) ~~a *Great Britain credit union* may make a loan only to: [deleted]~~
 - (a) ~~a member of the *credit union* who is an individual; and~~
 - (b) ~~a corporate member of the *credit union*, if the *credit union's* rules provide that it may make loans to corporate members and making the loan would not result in the aggregate of the outstanding balances on loans made by the *credit union* to corporate members exceeding the percentage of the aggregate of the outstanding balances on all loans made by the *credit union* to members specified by or under section 11 of the Credit Unions Act 1979;~~
 - (c) ~~other *credit unions*;~~
 - (1A) ~~a *Northern Ireland credit union* may make a loan only to: [deleted]~~

- (a) a member of the *credit union* who is an individual;
- (b) other *credit unions*; and
- (c) a corporate member of the *credit union* if the *credit union's* rules provide that it may make loans to corporate members and making the loan would not result in the total amount of the outstanding balances on loans made by the *credit union* to corporate members exceeding the percentage of the total amount of the outstanding balances on all loans made by the *credit union* to members specified by or under article 28 of the Credit Unions (Northern Ireland) Order 1985;

(2) a *credit union* may not make a loan to a member of the *credit union* holding only *deferred shares*. [deleted]

7.1.4 G "Corporate member" has the same meaning as in section 5A of the Credit Unions Act 1979 or article 14A of the Credit Unions (Northern Ireland) Order 1985 as appropriate. [deleted]

7.2 General requirements concerning lending policy

...

7.2.4 G *CREDS* 2.2.6 R requires a *credit union* to maintain a manual of its policies and procedures. This should include the policy and procedure for ~~making loans~~ lending.

...

7.2.6 G The lending policy should consider the conditions for and amounts of ~~loans~~ lending to members, individual mandates, and the handling of ~~loan~~ applications for lending.

7.2.7 R (1) A *credit union* must not ~~make a loan~~ lend to:

- (a) one of its *officers, certification employees* or *approved persons* on terms more favourable than those available to other members of the *credit union* unless:

...

- (ii) the registered rules of the *credit union* provide explicitly for the ~~making of loans~~ lending to paid employees on such terms;

...

...

7.2.8 G (1) To prevent conflicts of interest, a *credit union* should have clear arrangements for dealing with ~~loans~~ lending to the persons specified in *CREDS* 7.2.7 R.

...

...

7.2.12 G (1) A *credit union* may ~~make a loan~~ lend to a member for a business purpose. However, this does not mean that a *credit union* may make a loan to a member who merely intends to transmit that loan to another body that will actually carry out the purpose.

(2) A *credit union* should not ~~make loans~~ lend to members who are acting together to achieve an aggregate ~~loan~~ sum of lending that exceeds the limits in the lending policy.

8 Supervision

...

8.2 Reporting requirements

Accounts and audit

8.2.6 R (1) ~~Every credit union (except a Northern Ireland credit union) must send to the FCA a copy of its audited accounts published in accordance with section 82 of the Co-operative and Community Benefit Societies Act 2014. [deleted]~~

(2) ~~The accounts must: [deleted]~~

(a) ~~be made up for the period beginning with the date of the credit union's registration or with the date to which the credit union's last annual accounts were made up; whichever is the later, and ending on the credit union's most recent financial year end; and~~

(b) ~~be delivered to the FCA by one of the methods listed in CREDS 8.2.6AR no later than six months after the credit union's financial year end.~~

8.2.6A R ~~The methods referred to in CREDS 8.2.6R(2)(b) are: [deleted]~~

(1) ~~by e-mail to mutual.societies@fca.org.uk; or [deleted]~~

(2) ~~by post to Mutuals Team, Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN. [deleted]~~

...

10 Application of other parts of the Handbook to credit unions

10.1 Application and purpose

...

Application of other parts of the Handbook and of Regulatory Guides to Credit Unions

10.1.3 G

Module	Relevance to Credit Unions
...	
Senior Management Arrangements, Systems and Controls (SYSC)	<p><i>SYSC 1, SYSC 4 to 10 and SYSC 21 apply to all credit unions in respect of the carrying on of their regulated activities and unregulated activities in a prudential context. <u>SYSC 22 (Regulatory references)</u>, SYSC 23 (Senior managers and certification regime: Introduction and classification), SYSC 24 (Senior managers and certification regime: Allocation of prescribed responsibilities), SYSC 25 (Senior managers and certification regime: Management responsibilities maps and handover procedures and material), SYSC 26 (Senior managers and certification regime: Overall and local responsibility), SYSC 27 (Senior managers and certification regime: Certification regime) and SYSC 18 apply to all credit unions in respect of both their regulated activities and their unregulated activities. <u>SYSC 19F.2 and SYSC 28 also apply to credit unions when carrying out insurance distribution activities.</u></i></p>
...	

<p>Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (<i>MIPRU</i>)</p>	<p><i>MIPRU</i> applies to any <i>credit union</i> carrying out <i>insurance distribution activity</i> or <i>home finance mediation activity</i>, or using these services. In particular, it sets out requirements for allocation of responsibility for the <i>credit union's insurance distribution activity</i> (<i>MIPRU 2</i>), for the use of <i>home finance intermediaries or persons doing insurance distribution activity</i> (<i>MIPRU 5</i>) and for professional indemnity insurance (<i>MIPRU 3</i>).</p>
<p>Conduct of Business sourcebook (<i>COBS</i>)</p>	<p>A <i>credit union</i> which acts as a <i>CTF provider</i> or provides a <i>cash-deposit ISA</i> will need to be aware of the relevant requirements in <i>COBS</i>. <i>COBS 4.6</i> (Past, simulated past and future performance), <i>COBS 4.7.1 R</i> (Direct offer financial promotions), <i>COBS 4.10</i> (Approving and confirming compliance of financial promotions), <i>COBS 13</i> (Preparing product information) and <i>COBS 14</i> (Providing product information to clients) apply with respect to <i>accepting deposits</i> as set out in those provisions, <i>COBS 4.1</i> and <i>BCOBS</i>. A <i>credit union</i> that communicates with clients, including in a <i>financial promotion</i>, in relation to the promotion of <i>deferred shares</i> and <i>credit union subordinated debt</i> will need to be aware of the requirements of <i>COBS 4.2</i> (Fair, clear and not misleading communications) and <i>COBS 4.5</i> (Communicating with retail clients).</p> <p><u>A <i>credit union</i> carrying on <i>insurance distribution activities in relation to life policies</i> will also need to be aware of the relevant requirements in <i>COBS</i>. A <i>firm</i> may also elect to comply with <i>COBS</i> in relation to <i>pure protection contracts</i> that otherwise fall under <i>ICOBS</i> (see <i>ICOBS 1 Annex 1 3.1R(1)</i>).</u></p>

	<p><u><i>Credit unions</i> are reminded that they are subject to the requirements of the appropriate legislation, including the Credit Unions Act 1979, relating to activities a credit union may carry on.</u></p>
<p>Insurance: Conduct of Business sourcebook (<i>ICOBS</i>)</p>	<p><i>ICOBS</i> applies to any <i>credit union</i> carrying on non-investment insurance distribution activities, such as arranging or advising on general insurance contracts to be taken out by members <u>or where those members gain rights under such a contract (for example, in relation to a group policy).</u> But <i>ICOBS</i> does not apply to a <i>credit union</i> taking out an insurance <i>policy</i> for itself its own purposes, such as a <i>policy</i> against default by members on their loans where the credit union is the beneficiary of the <i>policy</i>, since in this circumstance the <i>credit union</i> would not be acting as an insurance intermediary, but would itself be the customer. <i>Credit unions</i> are reminded that they are subject to the requirements of the appropriate legislation, including the Credit Unions Act 1979, relating to activities a <i>credit union</i> may carry on.</p>
<p>...</p>	
<p>Supervision manual (<i>SUP</i>)</p>	<p>The following provisions of <i>SUP</i> are relevant to <i>credit unions</i>: <i>SUP</i> 1A (The FCA’s approach to supervision), <i>SUP</i> 2 (Information gathering by the FCA or PRA on its own initiative), <i>SUP</i> 3.1 to <i>SUP</i> 3.8 (Auditors), <i>SUP</i> 5 (Skilled persons), <i>SUP</i> 6 (Applications to vary or cancel Part 4A permission), <i>SUP</i> 7 (Individual requirements), <i>SUP</i> 8 (Waiver and modification of rules), <i>SUP</i> 9 (Individual guidance), <i>SUP</i> 10C (FCA senior managers regime for approved persons in</p>

	<p>SMCR firms), <i>SUP 11</i> (Controllers and Close links), <i>SUP 15</i> (Notifications to the FCA or PRA) and <i>SUP 16</i> (Reporting Requirements). <u>Where <i>credit unions</i> carry on <i>insurance distribution activities</i> and fall within the category provided at <i>SUP 3.1.2R(10)</i>, then <i>SUP 3.10</i> and <i>SUP 3.11</i> (Auditors) will also be relevant.</u></p> <p><i>Credit unions</i> are reminded that they are subject to the requirements of the <i>Act</i> and <i>SUP 11</i> on <i>close links</i>, and are bound to notify the <i>FCA</i> of changes. It may be unlikely, in practice, that <i>credit unions</i> will develop such relationships. It is possible, however, that a <i>person</i> may acquire <i>close links</i> with a <i>credit union</i> within the meaning of the <i>Act</i> by reason of holding the prescribed proportion of <i>deferred shares</i> in the <i>credit union</i>.</p> <p>In relation to <i>SUP 16</i>, <i>credit unions</i> are exempted from the requirement to submit annual reports of <i>close links</i>.</p>
Consumer Credit sourcebook (<i>CONC</i>)	<p><i>CONC</i> contains rules that apply to <i>firms</i> carrying on <i>credit-related regulated activities</i>. <i>PERG 2.7.19IG</i> provides guidance on relevant exemptions. Most <u>Where an exemption applies, the <i>credit union</i> lending is therefore will be</u> outside the scope of <i>CONC</i>.</p> <p>However, subject to the constraints in the Credit Unions Act 1979 or the Credit Unions (Northern Ireland) Order 1985 (as relevant), <i>credit unions</i> may undertake <i>credit-related regulated activities</i> to which <i>CONC</i> does apply if the activity is carried out by way of business. This could include lending under a <i>borrower-lender-supplier agreement</i>, <u>including entering into <i>conditional sale agreements</i> and/or</u></p>

	<i>hire-purchase agreements, or debt adjusting or debt counselling where the credit union is not the lender. A credit union carrying on such activities should consider whether it requires permission to do so. Further information can be found on the FCA's website.</i>
...	
<u>Client Assets (CASS)</u>	<u>CASS 5 applies to credit unions carrying on insurance distribution activities where the credit union receives or holds money in the course of or in connection with those activities (i.e. where the application rules set out in CASS 5.1.1R are met). This may vary on a case-by-case basis depending on the firm's business model.</u>
<u>Product Intervention and Product Governance sourcebook (PROD)</u>	<u>PROD 1.4 and PROD 4 apply to credit unions involved in the manufacture or distribution of insurance products.</u>

...

Schedule 2 Notification requirements

...

Sch 2.2 G

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CREDS 8.2.6 R [deleted]	Audited accounts [deleted]	Revenue account and balance sheet [deleted]	Financial year end [deleted]	Until 6 months after financial year end [deleted]
...				

Appendix 4

Authorised funds (Miscellaneous amendments)

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (MISCELLANEOUS
AMENDMENTS) INSTRUMENT 2024**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 138D (Actions for damages);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 247 (Trust scheme rules);
 - (f) section 248 (Scheme particulars rules);
 - (g) section 261C (Applications for authorisation of contractual schemes);
 - (h) section 261I (Contractual scheme rules); and
 - (i) section 261J (Contractual scheme particulars rules);
 - (2) regulations 6 (FCA rules) and 12 (Applications for authorisation) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with Annex B to this instrument.

Notes

- F. In the Annex to this instrument, the notes (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2024.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text, unless otherwise stated.

Insert the following definitions in the appropriate alphabetical position. All the text is new and is not underlined.

hybrid meeting (in *COLL* 4) has the meaning given in *COLL* 4.4.1AR(2).

physical meeting (in *COLL* 4) has the meaning given in *COLL* 4.4.1AR(1).

virtual meeting (in *COLL* 4) has the meaning given in *COLL* 4.4.1AR(3).

Amend the following definitions as shown.

income property (1) (in relation to a *UCITS* scheme or a *non-UCITS* retail scheme) the amount available for income allocations calculated in accordance with *COLL* 6.8.3R(3A) and not including any amount for the time being standing to the credit of the *distribution account*.

(1A) (in relation to a *qualified investor* scheme) the amount available for income allocations under *COLL* 8.5.15R(3A) and not including any amount for the time being standing to the credit of the *distribution account*.

...

~~*IMA SORP*~~ (in *COLL*) the Statement of Recommended Practice for financial statements of *authorised funds* issued by the Investment Association (formerly the Investment Management Association) on 14 May 2014.

Annex B

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

4 Investor Relations

...

4.2 Pre-sale notifications

...

Table: contents of the prospectus

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

...	
Payments out of scheme property	
13	In relation to each type of payment from the <i>scheme property</i> , details of:
	...
	(e) when it will be paid; and
	(f) where a performance fee is taken, examples of its operation in plain English and the maximum it can amount to-; and
	(g) <u>where donations are to be made to one or more registered charities for Shariah compliance purposes from the income property of the scheme (in this rule, ‘purification’), in addition to the details required above, the person who advises the authorised fund manager on the required percentage of the income property recognised for purification.</u>
...	

...

4.4 Meetings of unitholders and service of notices

Application

4.4.1 R ...

4.4.1A R In this section:

- (1) a ‘physical meeting’ is a general meeting convened at a physical location where *unitholders*, or their proxy, must be physically present;
- (2) a ‘hybrid meeting’ is a general meeting which allows *unitholders*, or their proxy, to be physically present at the location where the meeting is convened, or to attend and vote remotely; and
- (3) a ‘virtual meeting’ is a general meeting where all *unitholders*, or their proxy, attend and vote remotely.

General meetings

4.4.2 R ...

4.4.2A G The *instrument constituting the fund* may make provision for a general meeting to be:

- (1) a *physical meeting*;
- (2) a *hybrid meeting*; or
- (3) a *virtual meeting*.

4.4.2B R (1) *Any unitholder* who participates remotely in a *hybrid meeting* by the means specified in the notice given under COLL 4.4.5R is deemed to be present at the meeting and has the same rights as a *unitholder* who is physically present at the meeting.

(2) *Any unitholder* who participates in a *virtual meeting* by the means specified in the notice given under COLL 4.4.5R is deemed to be present at the meeting and has the same rights that the *unitholder* would have at a *physical meeting*.

4.4.2C R *Any unitholder* who participates remotely must be enabled to do so without having to appoint a proxy and must not be required to submit their vote on a resolution in advance of the meeting.

...

Special meaning of unitholder in COLL 4.4

4.4.4 R ...

- (3) For the purposes of (2), in *COLL 4.4.6 R (Quorum)* to *COLL 4.4.11 R (Chairman The chair, adjournments and minutes)* “*unitholders*” in relation to those *units* means the *persons* entered on the *register* at a time to be determined by the *authorised fund manager* and stated in the notice of the meeting, which must not be more than 48 hours before the time fixed for the meeting.

Notice of general meetings

- 4.4.5 R (1) Where the *authorised fund manager*, the *depository* or the other *directors* of an *ICVC* decide to convene a general meeting of *unitholders*:
- (a) each *unitholder* must be given at least 14 *days* written notice, inclusive of the date on which the notice is first served and the day of the meeting; ~~and~~
 - (b) the notice must specify:
 - (i) whether the meeting is to be a *physical meeting*, a *hybrid meeting* or a *virtual meeting*;
 - (ii) if the meeting is a *physical meeting* or a *hybrid meeting*, and the place of the meeting;
 - (iii) if the meeting is a *hybrid meeting* or a *virtual meeting*, the means by which a *unitholder* may participate, including any requirements for *unitholders* to register before the meeting begins or to provide proof of their right to be attend, and an explanation of how participating *unitholders* may vote in a show of hands or in a poll, if they do not appoint a proxy;
 - (iv) the day and hour of the meeting ~~and~~;
 - (v) the terms of the resolutions to be proposed; ~~and~~
 - (vi) the address of the website where the minutes of the meeting will subsequently be published; and
 - (c) a copy of the notice must be sent to the *depository*.

...

- (3) Notice of an adjourned meeting of *unitholders* must be given to each *unitholder*, stating that while two *unitholders* are required to be present - in person or, by proxy are required or remotely - to constitute a quorum at the adjourned meeting, this may be reduced to one in accordance with *COLL 4.4.6R(3)*, should two such *unitholders* not be present after a reasonable time of convening of the meeting.

- (4) ...
- (5) Where the meeting is a *hybrid meeting* or a *virtual meeting*, the *authorised fund manager* must take reasonable care to ensure that the necessary supporting technology to enable *unitholders* to attend and vote is in place at the start of the meeting and operates adequately throughout its proceedings, so that *unitholders* who attend or vote remotely are not unfairly disadvantaged.

Quorum

- 4.4.6 R (1) The quorum required to conduct business at a meeting of *unitholders* is two *unitholders*, present in person or, by proxy or (where applicable) remotely using the means specified in the notice given under *COLL 4.4.5R*.
- (2) If after a reasonable time from the time for the start of the meeting, a quorum is not present, the meeting:
- (a) ...
- (b) in any other case, must stand adjourned to:
- (i) ...
- (ii) in the case of a *physical meeting* or a *hybrid meeting*, a place to be appointed by the ~~chairman~~ chair.
- (3) ...
- (4) The chair of a meeting which permits *unitholders* to attend and vote remotely must take reasonable care to give such *unitholders*:
- (a) an adequate opportunity to be counted as present in the quorum; and
- (b) sufficient opportunities to participate fully in the proceedings of the meeting, in particular when a vote is taken on a show of hands or by poll.

Resolutions

- 4.4.7 R (1) ...
- (2) In the case of an equality of, or an absence of, votes cast, the ~~chairman~~ chair is entitled to a casting vote.
- ...

Voting rights

4.4.8 R (1) On a show of hands every *unitholder* who is present in person, or who attends the meeting remotely using the means specified in the notice in COLL 4.4.5R, has one vote.

...

(3) For joint *unitholders*, the vote of the most senior who votes, whether in person ~~or~~ by proxy or remotely by the means referred to in (1), must be accepted to the exclusion of the votes of the other joint *unitholders*. For this purpose seniority must be determined by the order in which the names stand in the *register of unitholders*.

...

Right to demand a poll

4.4.9 R (1) A resolution put to the vote of a general meeting must be determined on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(a) the ~~chairman~~ chair;

...

(2) Unless a poll is demanded in accordance with (1), a declaration by the ~~chairman~~ chair as to the result of a resolution is conclusive evidence of the fact.

...

~~Chairman~~ The chair, adjournment and minutes

4.4.11 R (1) A meeting of *unitholders* must have a ~~chairman~~ chair, nominated:

...

(b) ...

(1A) In the case of a physical meeting or a hybrid meeting, the chair must be physically present at the place of the meeting.

(2) If the ~~chairman~~ chair is not present after a reasonable time from the time for the meeting, the *unitholders* present must (subject to (1A)) choose one of them to be ~~chairman~~ the chair.

(3) The ~~chairman~~ chair:

...

adjourn the meeting from time to time and from place to place, provided that any arrangements to enable remote participation at the original meeting are replicated for any adjourned meeting.

...

(5) The *authorised fund manager* must ensure that:

...

(b) any minute made in (a) is signed by the ~~chairman~~ chair of the meeting of *unitholders*.

(6) ...

(7) The *authorised fund manager* must publish the minutes on a website accessible to the general public without charge, no later than 5 *business days* after the meeting has taken place (but in the case of an original meeting which is adjourned, the minutes may be published after the adjourned meeting has taken place).

Notices to unitholders

4.4.12 R ...

(3) ...

(4) Any notice or document served on one joint *unitholder* is deemed to also have been served on each other joint *unitholder*.

...

4.5 Reports and accounts

...

Contents of the annual long report

4.5.7 R (1) An annual long report on an *authorised fund*, other than a *scheme* which is an *umbrella*, must contain:

(a) the accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the ~~IMA~~ *SORP*;

...

(f) subject to *COLL* 4.5.7R(1)(g), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG* 2.3.1R; ~~and~~

(g) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG* 5.5.5R-; and

- (h) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments.
- (2) An annual long report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
- (a) for each *sub-fund*:
- (i) the accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
- ...
- (iv) subject to *COLL 4.5.7R(2)(a)(v)*, its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 2.3.1R*; ~~and~~
- (v) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 5.5.5R*; and
- (vi) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments;
- ...
- (3) ...
- (4) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further annual long report for any one or more individual *sub-funds* of the *scheme*, in which case it must contain:
- (a) in relation to the *sub-fund*:
- (i) the accounts for the *annual accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
- ...
- ...
- ...

...

Contents of the half-yearly long report

- 4.5.8 R (1) A half-yearly long report on an *authorised fund*, other than for a *scheme* which is an *umbrella*, must contain:
- (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
- ...
- (2) A half-yearly long report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
- (a) for each *sub-fund*:
- (i) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *IMA SORP*;
- ...
- ...

...

Authorised fund manager's report

- 4.5.9 R The matters set out in (1) to (13) must be included in any *authorised fund manager's* report, except where otherwise indicated:
- ...
- (7A) a portfolio statement prepared in accordance with the requirements of the *IMA SORP*;
- ...

Comparative information

- 4.5.10 R The comparative information required by *COLL* 4.5.7 R (Contents of the annual long report), *COLL* 8.3.5A R (Contents of the annual report), and *COLL* 15.5.3R (Contents of the annual report) must be shown for the last three *annual accounting periods* (or all of the *authorised fund's annual accounting periods*, if fewer than three) and must set out:
- (1A) for a *unit* of each *class* in issue, a comparative table as at the end of the period to which the report relates, prepared in accordance with the requirements of the *IMA SORP* and showing at least:

...

...

...

Report of the auditor

4.5.12 R The *authorised fund manager* must ensure that the report of the auditor to the *unitholders* includes the following statements:

- (1) whether, in the auditor's opinion, the accounts have been properly prepared in accordance with the *IMA SORP*, the *rules* in this sourcebook, and the *instrument constituting the fund*;

...

...

5 Investment and borrowing powers

...

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

Application

5.7.1 R (1) ...

(2) Where this section refers to:

(a) ...

- (b) a second *scheme*, and the second *scheme* is a feeder *scheme*, which (in respect of investment in *units* in *collective investment schemes*) is *dedicated to units* in a single *collective investment scheme*, the reference in this section to the second *scheme* must be read as if it were a reference to ~~any scheme into which~~ the feeder *scheme's* master *scheme* invests; and

...

...

6 Operating duties and responsibilities

...

6.7 Payments

...

Payments out of scheme property

- 6.7.4 R (1) The only payments which may be recovered from *the scheme property* of an *authorised fund* are those in respect of:
- (a) ...
 - (b) the administration of the *authorised fund*; ~~or~~
 - (c) the investment or safekeeping of the *scheme property*; ~~or~~
 - (d) subject to (1A), donations to one or more *registered charities* for Shariah compliance purposes (in this rule, ‘purification’), as set out in and authorised by the *prospectus* of the *scheme*.
- (1A) Payments relating to (1)(d) may only be made from the *income property* of the *scheme* where they represent the required percentage of the *income property* recognised for purification as advised by a *person* with appropriate knowledge of finance and Islamic law.

...

Payments out of scheme property: guidance

- 6.7.5 G (1) ...
- ...
- (4) ...
- (5) The *person* referred to in COLL 6.7.4R(1A) should be independent of the *authorised fund manager* and any *registered charity* to which payments may be made.

...

Allocation of payments to income or capital

- 6.7.10 R (1) ...
- (1A) Where there is at least one *class* of *units* that distributes income and one *class* of *units* that accumulates income in the same *authorised fund*, the *authorised fund manager* can determine a payment be made from:
- (a) the *capital property* of the *authorised fund* for the *classes* of *units* that distribute income; and
 - (b) the *income property* of the *authorised fund* for *classes* of *units* that accumulate income,
- if this is set out in and authorised by the *prospectus* of the *scheme*.

...

...

6.8 Income: accounting, allocation and distribution

...

Accounting periods

...

- 6.8.2A G (1) The effect of COLL 6.8.1R(3) and COLL 6.8.2R(4) is that when the accounting reference date of a sub-fund falls less than 6 months after the beginning of the first annual accounting period of that sub-fund, that period may be extended until the subsequent accounting reference date.
- (2) When the *annual accounting period* of a *scheme* is extended under COLL 6.8.2R(4) or (6), resulting in a longer than usual period before the publication of reports to *unitholders*, the *authorised fund manager* should make summary information about the investment activities of the *scheme* available to *unitholders* during that period, in accordance with either (as applicable) Principle 12 (Consumer Duty) and PRIN 2A, or Principles 6 (Customers' interests) and 7 (Communications with clients) (see PRIN 3.2.10R (Interaction between Principle 12 and Principles 6 and 7)).

Income allocation and distribution

...

6.8.3 R (1) ...

...

- (3A) The amount available for income allocations must be calculated by:
- (a) taking the net revenue after taxation determined in accordance with the *IMA SORP*;

...

...

...

8 Qualified investor schemes

...

8.3 Investor relations

...

Table: contents of qualified investor scheme prospectus

8.3.4 R This table belongs to *COLL* 8.3.2 R.

...	
12	Payments out of the scheme property
	The payments that may be made out of the <i>scheme property</i> to any <i>person</i> whether by way of <i>remuneration</i> for services, or reimbursement of expense and for each category of <i>remuneration</i> or expense, the following should be specified:
	...
	(4) the types of any other charges and expenses that may be taken out of the <i>scheme property</i> ; and
	(5) if, in accordance with <i>COLL</i> 8.5.13R (2), all or part of the <i>remuneration</i> or expense are to be treated as a capital charge:
	...
	(b) the basis of the charge which may be so treated-; <u>and</u>
	(6) <u>Where donations are to be made to one or more <i>registered charities</i> for Shariah compliance purposes from the <i>income property</i> of the <i>scheme</i> (in this rule, ‘purification’), in addition to the details required above, the <i>person</i> who advises the <i>authorised fund manager</i> on the required percentage of the <i>income property</i> recognised for purification.</u>
...	

...

Contents of the annual report

8.3.5A R (1) An annual report, other than for a *scheme* which is an *umbrella*, must contain:(a) the accounts for the *annual accounting period* prepared in accordance with the requirements of the *IMA SORP*;

...

- (e) subject to *COLL 4.5.8R(1)(d)*, its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 2.3.1R*; ~~and~~
 - (f) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 5.5.5R*; ~~and~~
 - (g) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments.
- (2) An annual report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
- (a) for each *sub-fund*:
 - ...
 - (iv) subject to *COLL 4.5.8R(2)(iv)*, its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 2.3.1R*; ~~and~~
 - (v) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 5.5.5R*; ~~and~~
 - (vi) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments;
 - ...
 - ...
 - ...

Contents of the half-yearly report

- 8.3.5B R (1) A half-yearly report on an *authorised fund* or *sub-fund* must contain:
- (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the ~~IMA~~ *SORP*;
 - ...

...

Authorised fund manager's report

8.3.5C R The report of the *authorised fund manager* must include:

...

(1A) a portfolio statement prepared in accordance with the requirements of the *IMA SORP*;

...

...

8.4 Investment and borrowing powers

Application

...

8.4.1A R (1) Where this section refers to a second *scheme*, and the second *scheme* is a feeder *scheme*, which (in respect of investment in *units* in *collective investment schemes*) is *dedicated to units* in a single *collective investment scheme*, the reference in this section to the second *scheme* must be read as if it were a reference to ~~any *scheme*~~ ~~into which~~ the feeder *scheme's* master *scheme* invests.

...

...

Qualified investor schemes: general

8.4.4 R The *scheme property* of a *qualified investor scheme* must, except where otherwise provided by the *rules* in this chapter, consist only of one or more of the following to which it is *dedicated*:

(1) ...

(1A) (to the extent not within (1)(a)) an interest in a loan, provided that the loan was not originated to:

(a) a natural person;

(b) the authorised fund manager of the qualified investor scheme;

(c) the depositary of the qualified investor scheme;

(d) an affiliated company of the person in (b) or (c); or

- (e) a person who intends to use, or uses, the credit for the purpose of investing in a derivative, cryptoasset derivative, an unregulated transferable cryptoasset, precious metals or a commodity contract within (4);

...

- (4) ...

[Note: Full-scope UK AIFMs are subject to specific requirements relating to conflicts of interest (see articles 30 to 36 in the AIFMD level 2 regulation and SYSC 10.1.23R to SYSC 10.1.26R (Additional requirements for an AIFM)).]

[Note: In relation to (1A), a borrower who receives money by way of deposit from a person who is not a bank may (if the borrower is acting by way of business) be carrying on the regulated activity of accepting deposits, but an exclusion in the Regulated Activities Order may be available. See also article 2 of the Business Order.]

...

Investment in collective investment schemes

- 8.4.5 R (1) A Subject to (2) and (3) (where applicable), a qualified investor scheme may invest in units in a scheme (a ‘second scheme’) only if the second scheme is:

...

- (b) a scheme not within (a) where the authorised fund manager has taken reasonable care to determine that:

...

- (iii) (unless it is a master scheme to whose units the relevant qualified investor scheme is dedicated) it (and any master scheme to whose units it is dedicated) is prohibited from investing more than 15% of its value in units of ~~schemes~~ the qualified investor scheme or, if there is no such prohibition, the qualified investor scheme’s authorised fund manager is satisfied, on reasonable grounds and after making all reasonable enquiries, that no such investment will be made by either the second scheme or any fund in which the second scheme invests; and

...

- (2) A *qualified investor scheme* must not invest more than 20% in value of the *scheme property* in *units* in second *schemes* which are unregulated *schemes* or *qualified investor schemes* or *long-term asset funds* unless the *authorised fund manager* has carried out appropriate due diligence on each of the second *schemes* and has taken reasonable care to determine that, after making all reasonable enquiries and on reasonable grounds, the second *scheme* complies with relevant legal and regulatory requirements.
- (3) The *authorised fund manager* of a *qualified investor scheme* with more than 20% in value of the *scheme property* invested in one or more second *schemes* which are unregulated *schemes* or *qualified investor schemes* or *long-term asset funds* must carry out appropriate due diligence on those *schemes* on an ongoing basis.

Investment in a collective investment scheme that is an umbrella

...

- 8.4.5B G (1) ~~The guidance at COLL 5.7.11 G applies to an *authorised fund manager* of a *qualified investor scheme* carrying out due diligence for the purpose of COLL 8.4.5 R, as if that *guidance* related to COLL 8.4.5 R.~~ The *authorised fund manager* of a *qualified investor scheme* carrying out due diligence for the purpose of COLL 8.4.5R should use reasonable efforts to make enquiries and obtain the information needed to be able to consider the matters specified in COLL 5.7.11G, as if that *guidance* related to COLL 8.4.5R.

...

- (3) ...

[Note: See also articles 18 to 20 of the AIFMD level 2 regulation for further requirements that apply to *full-scope UK AIFMS* in relation to due diligence.]

...

Cover for transactions in derivatives and forward transactions

8.4.7 R ...

- 8.4.7-A G (1) When calculating whether cover is adequate under COLL 8.4.7R(2), the *authorised fund manager* may calculate the global exposure of the *scheme* by using the commitment approach or the value at risk approach. For this purpose, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

- (2) The method selected should be appropriate, taking into account:

- (a) the investment strategy pursued by the *qualified investor scheme*;
- (b) the types and complexities of the *derivatives* and forward transactions used; and
- (c) the proportion of the *scheme property* comprising *derivatives* and forward transactions.

...

8.5 Powers and responsibilities

...

Payments

- 8.5.13 R (1) ...
 - (2) Payments out of the *scheme property* may be made from *capital property* rather than from ~~income~~ *income property*, provided the basis for this is set out in the *prospectus*.
 - (3) Donations to one or more *registered charities* for Shariah compliance purposes (in this rule, ‘purification’), as set out in and authorised by the *prospectus* of the *scheme*, may be recovered from *income property* of the *scheme* where they represent the required percentage of the *income property* recognised for purification, as advised by a *person* with appropriate knowledge of finance and Islamic law.
- 8.5.13 A G The *person* referred to in *COLL* 8.5.13R(3) should be independent of the *authorised fund manager* and any *registered charity* to which payments may be made.

...

15 Long-term asset funds

...

15.4 Prospectus and other pre-sale notifications

...

Table: contents of a long-term asset fund prospectus

- 15.4.5 R This table belongs to *COLL* 15.4.2R.

...	
14	Fees, charges and expenses

	A description of all fees, charges and expenses, including:			
	...			
	(2)	the payments that may be made out of the <i>scheme property</i> to any <i>person</i> whether by way of <i>remuneration</i> for services, reimbursement of expense, or charge or other payment and for each category of <i>remuneration</i> , expense, charge or payment the following should be specified:		
		(a)	...	
			(v)	when it will be paid; and
			(vi)	where a performance fee is taken, whether by the <i>authorised fund manager</i> or any other <i>person</i> providing services to the <i>authorised fund manager</i> or the <i>long-term asset fund</i> in relation to the operation of the <i>scheme</i> , examples of how the performance fee works in plain English and the maximum it can amount to; <u>and</u>
			(vii)	<u>where donations are to be made to one or more registered charities for Shariah compliance purposes from the income property of the scheme (in this rule, ‘purification’), in addition to the details required above, the person who advises the authorised fund manager on the required percentage of the income property recognised for purification;</u>
		...		
	...			

...

15.5 Annual report and investor relations

...

Contents of the annual report

- 15.5.3 R (1) An annual report, other than for a *scheme* which is an *umbrella*, must contain:
- (a) the accounts for the *annual accounting period* prepared in accordance with the requirements of the *IMA SORP*;

...

- (f) subject to *COLL 15.5.3R(1)(g)*, its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 2.3.1R*; ~~and~~
- (g) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and to the report's location on the *firm's* website, in accordance with *ESG 5.5.5R*; ~~and~~
- (h) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments.

(2) An annual report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:

(a) for each *sub-fund*:

...

- (iv) subject to *COLL 15.5.3R(2)(g)*, its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 2.3.1R*; ~~and~~
- (v) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with *ESG 5.5.5R*; ~~and~~
- (vi) if applicable, the amounts paid as donations for Shariah compliance purposes and the *registered charities* which received these payments;

...

...

...

Contents of the half-yearly report

15.5.5 R (1) A half-yearly report on an *authorised fund* or *sub-fund* must contain:

- (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the ~~IMA~~ *SORP*;

...

...

Authorised fund manager’s report

15.5.6 R The report of the *authorised fund manager* must include:

...

- (2) a portfolio statement prepared in accordance with the requirements of the ~~IMA~~ *SORP*;

...

...

15.6 Investment and borrowing powers

Application

...

15.6.2 R (1) Where this section refers to a second *scheme*, and the second *scheme* is a feeder *scheme*, which (in respect of investment in *units* in *collective investment schemes*) is ~~dedicated~~ dedicated to *units* in a single *collective investment scheme*, the reference in this section to the second *scheme* must be read as if it were a reference to the feeder *scheme’s* master *scheme*.

...

...

Investment powers: general

15.6.5 R (1) The *scheme property* of a *long-term asset fund* may, subject to the *rules* in this chapter, comprise any assets or *investments* to which it is ~~dedicated~~ dedicated.

...

...

Long-term asset funds: general

15.6.8 R The *scheme property* of a *long-term asset fund* must, except where otherwise provided by the *rules* in this chapter, consist only of one or more of the following to which it is ~~dedicated~~ dedicated:

(1) ...

(2) (to the extent not within (a)); an interest in a loan, provided that the loan was not originated to:

...

...

Investment in collective investment schemes

15.6.9 R (1) Subject to (2) and (3) (where applicable), a *long-term asset fund* may invest in *units* in a *scheme* (a ‘second ~~scheme~~ scheme’) only if the second *scheme* is:

...

(b) a *scheme* not within (a) where the *authorised fund manager* has taken reasonable care to determine that:

...

(iii) it (and any master *scheme* to whose *units* it is ~~dedicated~~ dedicated) is prohibited from investing in the *long-term asset fund*, or, if there is no such prohibition, the *authorised fund manager* is satisfied, on reasonable grounds and after making all reasonable enquiries, that no such investment will be made by either the second *scheme* or any *fund* in which the second *scheme* invests.

...

...

15.8 Valuation, pricing, dealing and income

...

Payments out of scheme property

15.8.15 R (1) The only payments which may be recovered from the *scheme*
C *property* of a *long-term asset fund* are those in respect of:

(a) ...

(b) the administration of the *authorised fund*; ~~or~~

- (c) the investment or safekeeping of the *scheme property*; and
- (d) subject to (1A), donations to one or more *registered charities* for Shariah compliance purposes (in this rule, ‘purification’), as set out in and authorised by the *prospectus* of the *scheme*.

(1A) Payments relating to (1)(d) may only be made from the *income property* of the *scheme* where they represent the required percentage of the *income property* recognised for purification as advised by a *person* with appropriate knowledge of finance and Islamic law.

...

Payments out of scheme property: guidance

15.8.15 G (1) ...
D

...

(4) ...

(5) The *person* referred to in *COLL* 15.8.15CR(1A) should be independent of the *authorised fund manager* and any charity to which payments may be made.

...

TP 1 Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
63	...				
<u>Amendments made by the Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2024</u>					
64	<u><i>COLL</i> 5.7.1R(2)(b) and <i>COLL</i> 8.4.1AR(1)</u>	R	<u>The <i>authorised fund manager</i> and <i>depository</i> of an <i>authorised fund</i> which complied</u>	<u>From [date of coming into force of instrument]</u>	<u>[Date of coming into force of instrument]</u>

		<p><u>with a rule in column (2) immediately before commencement of the amendments made by the Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2024, need not comply with the rule as amended until 1 year after the instrument comes into force.</u></p>		
--	--	---	--	--

Appendix 5

Clarificatory amendments to Chapter 19 of the Conduct of Business sourcebook (COBS)

CONDUCT OF BUSINESS SOURCEBOOK (AMENDMENTS) INSTRUMENT 2023

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137FB (FCA general rules: disclosure of information about the availability of pensions guidance);
 - (3) section 137T (General supplementary powers); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The Conduct of Business sourcebook (COBS) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Conduct of Business Sourcebook (Amendments) Instrument 2023.

By order of the Board
[date]

Annex

Amendments to the Conduct of Business sourcebook (COBS)

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

19 Pensions supplementary provisions

...

19.7 Pensions nudge and retirement risk warnings

Definitions

19.7.1 R In this section:

...

(7) “opt out” is the *retail client’s* confirmation that they do not want to receive *pensions guidance*;

(8) references to a “personal pension scheme” includes a stakeholder pension scheme, and for the avoidance of doubt, an FSAVC, retirement annuity contract or a pension buy-out contract.

Application

19.7.2 R This section applies to a *firm* communicating with a *retail client* in relation to:

...

(2) ~~transferring rights accrued under their existing pension scheme to another pension scheme pursuant to COBS 19.7.7R(6) for the purpose of accessing their pension savings using a decumulation product.~~

...

Trigger: when does a firm have to follow the steps?

19.7.7 R A *firm* must follow the steps specified in this section at the point when the *retail client* has decided (in principle) to take one of the following actions (and before the action is concluded):

...

(2) vary their ~~personal pension scheme stakeholder pension scheme, FSAVC, retirement annuity contract or pension buy-out contract~~ to enable the *client* to:

...

...

- (5) withdraw ~~the~~ funds wholly or partly derived from *flexible benefits* in full from a product or scheme in their pension savings, reducing the value of all of their rights in that product or scheme (including rights in respect of any non-*flexible benefits*) to zero; or
- (6) transfer rights (other than rights in respect of non-*flexible benefits*):
 - (a) accrued under their existing ~~*pension scheme to another pension scheme*~~ *personal pension scheme*; or
 - (b) accrued under their existing arrangement to a *personal pension scheme*.

for the purpose of taking one of the actions in (1) to (5).

19.7.7A G A firm may assume that a *retail client* who is 50 years of age or over who decides to transfer rights ~~accrued under their existing *pension scheme to another pension scheme*~~ pursuant to COBS 19.7.7R(6) is doing so for the purpose of taking one of the actions in COBS 19.7.7R(1) to (5).

19.7.7A G The effect of COBS 19.7.7R(6) is to include any transfers of rights (other than rights in respect of non-*flexible benefits*) accrued so long as either the transferring arrangement or the receiving arrangement is a *personal pension scheme*. This would, for example, include a *retail client* consolidating some or all of their pension arrangements where the consolidation involves a transfer from or to a *personal pension scheme*.
A

Pension transfer to access pension savings

19.7.7B R Where a *retail client* contacts a firm to communicate its decision (in principle) to transfer rights ~~accrued under their existing *pension scheme to another pension scheme*~~ pursuant to COBS 19.7.7R(6), that firm (whether the *retail client's* existing *pension scheme* provider or the firm to whom they intend to transfer their rights) must take the actions in step 1.

...

19.9 Pension annuity comparison information

...

Retail client's consent to generate a market-leading pension annuity quote

...

19.9.15 R (1)

...

- (3) Where a *firm*, having complied with (2), has been unable to obtain the *client's* consent, this *rule* applies with the effect that:
- (a) ...
- ...
- (c) a *firm* must, as applicable, use the template in:
- (i) unless (ii) applies, Part 3 or Part 6 of COBS 19 Annex 3R; or
- (ii) Part 6 of COBS 19 Annex 3R where the *retail client* has requested an income quote,
- to provide the applicable *pension annuity* comparator information.

...

19 Format for annuity information Annex 3

This annex belongs to *COBS 19.9.7R(3)* and *COBS 19.9.15R(3)(c)*.

...

Part 3: Template for cases where the a retail client refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or does not consent to client's consent is required to allow a firm to generate a market-leading pension annuity quote being generated and that consent has not been given


Where the retail client refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or appropriate consent has not been given client's consent is required to allow a firm to generate a market-leading pension annuity quote and that consent has not been given

...

Part 4: Template for cases where the market-leading quote offers the lowest purchase price pension annuity

Where the market-leading quote offers the lowest purchase price

Firm Logo



Annuity features

Annual income £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependents income	[Other key features of annuity]

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

Buying this annuity from us will cost you:

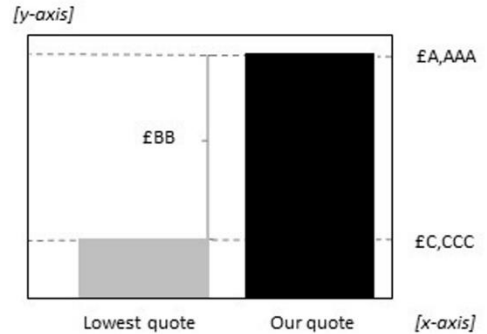
£A,AAA

Can you pay less for your annuity?

Based on your key information, there are quotes available from other providers offering a lower purchase price. If you select our product, you would be **paying £BB too much to purchase your annuity.**

[if applicable] Based on your key information, the lowest quote offers you the lowest purchase price for the requested income of £xx,xxx. However, you are entitled to a guaranteed annuity rate from your current provider paying an [estimated] annual income of £X,XXX on your pension pot of £XX,XXX, offering a better value annuity than the lowest purchase price quote. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with the lowest purchase price quote.

[if applicable] You are entitled to a guaranteed annuity rate from your current pension provider from [date/customer's age] paying an [estimated] annual income of £X,XXX. [when applied to the total value of your pension pot (£X,XXX)].



The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes moneyhelper.org.uk/guaranteed-income or call 0800 138 7777.

Company contact details and other key information

Part 5: Template for cases where the income quote or the application of a retail client's guaranteed annuity rate offers the lowest purchase price pension annuity

Where the income quote or a guaranteed annuity rate offers the lowest price pension annuity

<i>Firm Logo</i>	key facts [®]
Annuity features	
Annual income £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependents income	[Other key features of annuity]

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission.

You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

Buying this annuity from us will cost you:

£A,AAA

Can you pay less for your annuity?

Based on your key information, our quote offers you the lowest purchase price.

OR

Based on your key information, our quote offers you the lowest purchase price for the requested income of £xx,xxx. However, you are entitled to a guaranteed annuity rate from your current provider paying an [estimated] annual income of £X,XXX on your pension pot of £XX,XXX, offering a better value annuity than our quote. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with our quote.

OR

Based on your key information, you are entitled to a guaranteed annuity rate from your current provider that would pay the annual income requested of £X,XXX for a [an estimated] purchase price of £XX,XXX. If you select our product you would be **paying £BB too much to purchase your annuity**. You also risk losing your entitlement to the guaranteed annuity rate if you proceed with our quote.

The Financial Conduct Authority is a financial services regulator. It requires us to inform you that you can shop around if you want to. If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes moneyhelper.org.uk/guaranteed-income or call 0800 138 7777.

Company contact details and other key information

Part 6: Template for cases where the retail client ~~refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or does not consent to~~ has requested an income quote and the retail client's consent is required to allow a firm to generate a market-leading pension annuity quote being generated and that consent has not been given

Where the retail client has requested an income quote and the retail client's consent is required ~~refuses to answer questions to determine whether the client is eligible for an enhanced annuity, or appropriate consent has not~~

~~been given~~ to allow a firm to generate a market-leading pension annuity quote and that consent has not been given

Firm Logo	keyfacts [®]
Annuity features	
Annual income £XX,XXX	No guarantee period
Paid quarterly in advance	Payments increase by 2% per year
Dependants income	<i>[Other key features of annuity]</i>

If relevant, include key information here such as:

You are entitled to a guaranteed annuity rate from [date/customer's age] paying an [estimated] annual income of £X,XXX [when applied to the total value of your pension pot (£X,XXX)].

You are entitled to tax free cash greater than 25% of your pension pot. You may lose this right if you switch provider. Your existing pension provider will be able to provide more information about this.

For arranging this policy, your intermediary will receive £ZZZ commission from your provider. You have agreed with your adviser that the cost of their services will be taken from this policy as follows [provide details here].

Our quote

Buying this annuity from us will cost you:

£A,AAA

Can you pay less for your annuity?

You may be able to pay less for an annuity providing £XX,XXX a year by shopping around.

If you want to see what other options are available from other providers please visit moneyadvice.service.org.uk/annuitiesquotes moneyhelper.org.uk/guaranteed-income or call 0800 138 7777.

Did you know?

If you've not already been asked questions about your health or lifestyle, answering these could get you even more income.

For example – if you've smoked tobacco, been advised by a medical professional to adjust your lifestyle to improve your health or had a medical condition requiring prescribed medication or hospital treatment – you may be entitled to more income than is quoted above.

Visit moneyadvice.service.org.uk/annuitiesquotes moneyhelper.org.uk/guaranteed-income or call 0800 1387777 to find out more.

Company contact details and other key information

...

TP2 Other Transitional Provisions

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...					
2.45	...				
2.46	<p><u>COBS 19.9 and COBS 19 Annex 3 Part 4;</u> <u>COBS 19.9, COBS 19 Annex 3 Part 5, COBS 19.9 and COBS 19 Annex 3 Part 6</u></p>	R	<p>In respect of the requirement for a <i>firm</i> to update the weblink to MoneyHelper’s website in the <i>rules</i> in column (2), this will not apply to a <i>firm</i> until [12 months after the commencement date]</p>	<p>From [commencement date to 12 months after commencement date]</p>	<p>[Commencement date]</p>

Appendix 6

Changes to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) and the Interim Prudential sourcebook for Investment Businesses (IPRU-INV) to provide clarification

**INVESTMENT FIRMS PRUDENTIAL REGIME (AMENDMENT No 2)
INSTRUMENT 2023**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 143D (Duty to make rules applying to parent undertakings); and
 - (5) section 143E (Powers to make rules applying to parent undertakings).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the Handbook

- D. The Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) is amended in accordance with Annex A to this instrument.
- E. The Interim Prudential sourcebook for Investment Businesses (IPRU-INV) is amended in accordance with Annex B to this instrument.

Notes

- F. In the Annexes to this instrument, the “notes” (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the Investment Firms Prudential Regime (Amendment No 2) Instrument 2023.

By order of the Board
[date]

Annex A

Amendments to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)

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

1 Application

...

1.2 SNI MIFIDPRU investment firms

Basic conditions for classification as an SNI MIFIDPRU investment firm

1.2.1 R A *MIFIDPRU investment firm* is an *SNI MIFIDPRU investment firm* if it satisfies the following conditions:

...

(5) it does not have ~~permission to deal on own account~~; for any of the following:

(a) dealing on own account; or

(b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;

...

...

4 Own funds requirements

...

4.14 K-TCD requirement

...

Effective notional amount

4.14.20 R ...

(2) The notional amount, unless clearly stated and fixed until maturity, is determined as follows:

...

(b) for equity and commodity derivatives contracts and emissions allowances and derivatives thereof, the notional amount is the

product of the market price of one unit of the underlying instrument and the number of units referenced by the trade;

...

...

...

7 Governance and risk management

...

7.9 ICARA process: firms forming part of a group

...

Group ICARA process

...

7.9.9 G This guidance provision covers the following practical aspects in relation to the group ICARA process:

(1) ...

...

(3) Under a *group ICARA process*, the risk management and analysis of the financial impact of the risks is carried out at the level of the *investment firm group* (either by the UK parent entity or by a MIFIDPRU investment firm (MIFIDPRU 7.9.5R(6))). Each firm in the *investment firm group* is then allocated on a reasonable basis the assessment of *own funds* or *liquid assets* that are required to cover identified risks. ~~In addition, each MIFIDPRU investment firm in the investment firm group must comply with the overall financial adequacy rule on an individual basis. An investment firm group that wishes to operate a group ICARA process must therefore ensure that its risk management processes are sufficiently robust to satisfy the requirements in MIFIDPRU 7.9.5R and that there is appropriate accountability of the responsible governing body in accordance with the requirements of that rule.~~

(3A) Where the assessment of *own funds* or *liquid assets* uses a methodology that includes intra-group netting or offsets, the amount allocated from such assessment of *own funds* and *liquid assets* to each firm should be adjusted to remove any benefit which may otherwise have been applied at the level of the *investment firm group*.

(3B) In addition, each MIFIDPRU investment firm in the investment firm group must comply with the overall financial adequacy rule on an individual basis.

(3C) An investment firm group that wishes to operate a group ICARA process must therefore ensure that its risk management processes are sufficiently robust to satisfy the requirements in MIFIDPRU 7.9.5R and that there is appropriate accountability of the responsible governing body in accordance with the requirements of that rule.

...

...

8 Disclosure

...

8 Annex 1R Disclosure template for information required under MIFIDPRU 8.4.1R in respect of own funds

~~[Editor’s note: The form can be found at this address: insert link]~~ This annex consists of a template which can be found at the following link:

[Editor’s note: insert link]

Composition of regulatory own funds
...
Own funds: main features of own instruments issued by the firm
...
Examples
...
Link to the terms and conditions of the instrument
Note: <u>Where a MIFIDPRU investment firm is a partnership or a limited liability partnership, it should adjust the template for its disclosures so that it best reflects the legal personality of the firm and the manner in which it presents its accounts. These adjustments may include, for example, inserting a new row under the heading ‘Composition of regulatory own funds’ to include a new item such as ‘Partner’s account’ (where the MIFIDPRU investment firm is a partnership) or ‘Member’s account’ (where the MIFIDPRU investment firm is a limited liability partnership).</u>

Annex B

Amendments to the Interim Prudential sourcebook for Investment Businesses (IPRU-INV)

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

1 Application and General Provisions

...

1.2 APPLICATION

...

1.2.2 R (1) *IPRU-INV* applies to:

...

(i) ~~a credit union which is a CTF provider;~~ [deleted]

...

...

Obligation to Comply

...

1.2.5 R Table
This table belongs to *IPRU(INV)* 1.2.4R

...	
Credit union which is a CTF provider <u>[deleted]</u>	Chapters 1 and 8 <u>[deleted]</u>

...

Appendix 7

Making references to enactments in Handbook rules ambulatory

GENERAL PROVISIONS (INTERPRETATION) INSTRUMENT 202X

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA Handbook.
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. This instrument comes into force on *[date]*.

Amendments to the FCA Handbook

- D. The General Provisions sourcebook is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the General Provisions (Interpretation) Instrument 202X.

By order of the Board
[date]

Annex

Amendments to the sourcebook for General Provisions (GEN)

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

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

Application of the Interpretation Act 1978

...

2.2.12 G The Interpretation Act 1978 applies to the *Handbook*.

(1) ...

(2) where reference is made in the Handbook to an enactment, it is a reference to that enactment as amended (but see also GEN 2.2.13R), and includes a reference to that provision as extended or applied by or under any other enactment, unless the contrary intention appears; and

...

...

Cross-references in the Handbook

2.2.13 R (1) A reference in the *Handbook* to another provision in the *Handbook* is a reference to that provision as amended from time to time.

(2) Unless a contrary intention appears;

(a) a reference in the *Handbook* to a provision in the PRA Rulebook is a reference to that provision as amended from time to time;

(b) a reference in a Handbook rule to an enactment is a reference to that enactment as amended from time to time;

(c) for the purposes of Handbook rules, any reference to an enactment in the Glossary is to be construed as a reference to that enactment as amended from time to time.

...

