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consultation

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The Financial Services Authority invites comments on this Consultation Paper. Comments on chapters 2, 3, 7, 8 and 10 of this CP should reach us by **6 November 2010**. Comments on all other Chapters should reach us by **6 December 2010**.

Comments may be sent by electronic submission using the form on the FSA's website at (www.fsa.gov.uk/Pages/Library/Policy/CP/2009/cp10_22_response.shtml).

You can also respond by email: cp10_22@fsa.gov.uk

If you wish to respond by letter, please send your comments to the person named at the end of each chapter and set out below:

Chapter 2:	John Carroll	Telephone: 020 7066 1906 or Fax: 020 7066 1907
Chapter 3:	Wayne Riley	Telephone: 020 7066 4552 or Fax: 020 7066 4553
Chapter 4:	Nick Cook	Telephone: 020 7066 1670 or Fax: 020 7066 1671
Chapter 5:	Anita Flannigan	Telephone: 020 7066 0348 or Fax: 020 7066 0349
Chapter 6:	Michael Treip	Telephone: 020 7066 1988 or Fax: 020 7066 1989
Chapter 7:	Sally Rigg	Telephone: 020 7066 5756 or Fax: 020 7066 5757
Chapter 8:	Jonathan Bundy	Telephone: 020 7066 6138 or Fax: 020 7066 6139
Chapter 9:	Faridah Pullara	Telephone: 020 7066 1032 or Fax: 020 7066 1033
Chapter 10:	Caroline Donnellan	Telephone: 020 7066 2598 or Fax: 020 7066 2599
Chapter 11:	Victoria Connolly	Telephone: 020 7066 3914 or Fax: 020 7066 3915

If you are responding in writing to several chapters, please send your comments to Roslyn Anderson in Communications, who will pass your response on as appropriate.

All responses to the above people should be sent to:

Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

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Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

List of acronyms used in this Consultation Paper

Advanced Measurement Approach	(AMA)
Authorised corporate director	(ACD)
Authorised fund manager	(AFM)
Authorised investment fund	(AIF)
Authorised unit trusts	(AUTs)
Basel Committee on Banking Supervision	(BCBS)
British Banking Association	(BBA)
Building Societies Association	(BSA)
Capital Requirements Directive	(CRD)
Collective Investment Schemes sourcebook	(COLL)
Compensation Sourcebook	(COMP)
Consultation Paper	(CP)
Cost benefit analysis	(CBA)
Counterparty credit risk	(CCR)
Depository and Trustee Association	(DATA)
Deposit Guarantee Schemes Directive	(DGSD)
Discussion Paper	(DP)
European Court of Justice	(ECJ)
European Union	(EU)
Financial Services and Market Act 2000	(FSMA)
Financial Services Compensation Scheme	(FSCS)
Group stakeholder pension scheme	(GPP)

Interim Prudential	(IPRU)
Internal Ratings Based	(IRB)
Investment companies with variable capital	(ICVCs)
Investment Management Association	(IMA)
Market Abuse Directive	(MAD)
Market Conduct sourcebook	(MAR)
Non-Reporting Offshore Fund	(NROF)
Non-UCITS retail scheme	(NURS)
Open-Ended Investment Companies Regulations 2001	(OEIC Regulations)
Policy Statement	(PS)
Probability of default	(PD)
Prudential sourcebook for Banks, Building Societies and Investment Firms	(BIPRU)
Prudential sourcebook for Insurers	(INSPRU)
Quarterly Consultation Paper	(QCP)
Regulated Covered Bonds	(RCB)
Reporting Offshore Fund	(ROF)
Retail Distribution Review	(RDR)
Senior Management Arrangements, Systems and Controls manual	(SYSC)
Small and medium enterprises	(SME)
Training and Competence sourcebook	(TC)
Transitional Provision	(TP)
Undertakings for Collective Investments in Transferable Securities	(UCITS)

1 Overview

- 1.1 In this Consultation Paper (CP), we invite comments on miscellaneous amendments to the Handbook. It proposes amendments:
- to the scope of the requirement to undertake reverse stress-testing for BIPRU investment firms in Chapter 20 of the Senior Management Arrangements, Systems and Controls sourcebook (Chapter 2);
 - in relation to capital floors for firms using advanced approaches, residential mortgage Losses Given Default floors, and covered bonds, as a result of the Capital Requirements Directive (Chapter 3);
 - to the Prudential sourcebook for Insurers with regard to eliminating reciprocal financing (Chapter 4);
 - to the Conduct of Business sourcebook in relation to trail commission, Adviser Charging rules and disclosure of adviser charges and services (Chapter 5);
 - to the Code of Market Conduct following the decision of the European Court of Justice in the *Spector* case (Chapter 6);
 - to the list of appropriate qualifications for individuals performing certain retail activities, in the Training and Competence sourcebook (Chapter 7);
 - that introduce new data reporting requirements in the Training and Competence sourcebook (Chapter 8);
 - to credit and counterparty risk reporting in regulatory returns FSA004 and FSA045 in the Supervision manual (Chapter 9);
 - to the deposit compensation limit for the Financial Services Compensation Scheme as set out in the Compensation sourcebook (Chapter 10); and
 - to the Collective Investment Schemes sourcebook to provide greater clarity on several aspects of scheme management (Chapter 11).
- 1.2 Responses to Chapters 2, 3, 7, 8 and 10 of this Consultation should be received by 6 November 2010. Responses to all other chapters should be received by 6 December 2010.

CONSUMERS

The proposals in Chapters 5, 7, 8 and 10 may be of interest to consumers.

2 Amendments to the scope of reverse stress-testing (SYSC)

Introduction

- 2.1 This chapter proposes amendments to the scope of the requirement to undertake reverse stress-testing for BIPRU¹ investment firms under Chapter 20 of the Senior Management Arrangements, Systems and Controls sourcebook (SYSC). We would make these amendments under sections 138 and 156 of the Financial Services and Market Act 2000 (FSMA).
- 2.2 The proposed amendments are driven by our need to ensure that the scope of SYSC 20 in relation to BIPRU investment firms is consistent with our general policy objective for reverse stress-testing, as set out in PS09/20.²
- 2.3 Appendix 1 sets out our proposed changes.

Proposed amendments

- 2.4 In PS09/20 we detailed the intention to apply the requirement to carry out a reverse stress-test to firms that might have a material impact on the market if they fail and consequently present a significant threat to our statutory objectives, especially concerning financial stability and consumer protection. Among BIPRU firms this includes:
 - all banks and building societies; and
 - certain investment firms provided they meet specific criteria in terms of size concerning the amounts of assets they have under management or administration; or the total amount of fee and commissions they receive from regulated activities; or their balance-sheet size.
- 2.5 The current wording of SYSC 20.1.1R does not achieve the stated policy objective with respect to BIPRU investment firms. We therefore propose to amend SYSC 20.1.1R to ensure our policy on the reverse stress-testing requirement may be applied to larger, more complex BIPRU investment firms.

¹ BIPRU: Prudential sourcebook for Banks, Building Societies and Investment Firms.

² PS09/20, *Stress and Scenario Testing – Feedback on CP08/24 and final rules*, (December 2009).

- 2.6 The amended criteria in SYSC 20.1.1R will identify the scope of this requirement for BIPRU investment firms based on the potential impact of a firm's failure, rather than the probability of it failing. As explained, this does not represent a change to our overall policy on reverse stress-testing outlined in PS09/20, as we indicated our desire to capture within the scope of the requirement those larger, more complex BIPRU investment firms.
- 2.7 SYSC 20 will come into force on 14 December 2010. However, we intend to permit a postponed implementation date only for BIPRU investment firms that will fall within the scope of SYSC 20 as a result of the amendments proposed in this consultation. We believe that setting an implementation date of 28 March 2011 for these firms will give them sufficient time to meet the requirement.

Q1: Do you agree with the proposed amendments to SYSC 20.1.1R?

Q2: Do you agree that the implementation date for BIPRU investment firms falling within the scope of the amended rule should be 28 March 2011?

Cost benefit analysis

- 2.8 Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments. The requirement does not apply if there will be no increase in costs or if any increase in costs will be of minimal significance.
- 2.9 The CBA undertaken for PS09/20 was predicated on the population of larger, more complex BIPRU investment firms that we will capture via these amendments for the purposes of reverse stress testing. Consequently, we believe no update is required for the CBA given the minor postponement of the implementation date for those BIPRU investment firms that will additionally fall within the scope of SYSC 20 as a result of the amendments proposed in this consultation.

Q3: Do you agree that the cost benefit analysis performed on BIPRU investment firms for PS09/20 remains valid?

Compatibility statement

- 2.10 The requirement for firms to undertake reverse stress-testing is designed to help us meet our financial stability and consumer protection objectives. The proposals in this consultation will have no impact on our other statutory objectives.
- 2.11 By clarifying the scope of application for BIPRU investment firms, we are satisfied we shall be capturing any firms (as well as those otherwise captured by the rule) that significantly threaten these statutory objectives. We are therefore satisfied our proposals are compatible with our general duties under section 2 of FSMA.
- 2.12 As we expect the costs of amending the rule to be minimal, we believe the burden of our proposals is proportionate to the expected benefits. There will be no effect on

the remaining principles of good regulation. Therefore, we believe we have had regard to the principles of good regulation and consider these proposals to be the most appropriate way of meeting our statutory objectives.

Contact

Comments should reach us by 6 November 2010. Please send them to:

John Carroll
Prudential Policy Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 1906
Fax: 020 7066 1907
Email: CP10_22@fsa.gov.uk

3 Capital Requirements Directive: amendments (CRD3) to capital floors and covered bonds (BIPRU)

Introduction

- 3.1 Several packages of changes were proposed to the Capital Requirements Directive (CRD)³ quite close together, which the European Commission (the Commission) ‘numbered’ to avoid confusion and for ease of reference. We consulted on the CRD2⁴ package of amendments in CP09/29⁵ and CP10/17⁶ and have now made those rules.
- 3.2 We also consulted on some of the CRD3⁷ package of amendments in CP09/29, but could not make those rules yet as the directive text had not been finalised. The European Parliament has now adopted the compromise text to the CRD3 amendments. This latest version of the CRD3 requires that most amendments are transposed by member states into national law by 31 December 2011 at the latest. However, along with the changes concerning ‘remuneration’, some changes must be put in place by 1 January 2011.
- 3.3 This chapter sets out our approach to implementing rules for miscellaneous non-remuneration changes that are required by 1 January 2011. These changes, which are set out in Appendix 2, are in relation to:
- capital floors for firms using advanced approaches;

3 The CRD comprises two (amended) directives: the recast Banking Consolidation Directive 2006/48/EC (BCD) and the recast Capital Adequacy Directive 2006/49/EC (CAD). The CRD was adopted by Council and European Parliament on 14 June 2006.

4 ‘Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management’. The Commission has also adopted technical changes to the CRD in accordance with the comitology procedure. The technical changes to Directive 2006/49/EC were adopted by the Commission on 7 April 2009 (Commission Directive 2009/27/EC amending certain Annexes to Directive 2006/49/EC of the European Parliament and of the Council as regards technical provisions concerning risk management). The technical changes to Directive 2006/48/EC were adopted by the Commission on 27 July 2009 (Commission Directive 2009/83/EC amending certain Annexes to Directive 2006/48/EC of the European Parliament and of the Council as regards technical provisions concerning risk management).

5 CP09/29, *Strengthening Capital Standards 3*, (December 2009).

6 CP10/17, *Strengthening Capital Standards 3 – Feedback to CP09/29, final rules for CRD2, and further consultation*, (23 July, 2010).

7 ‘Directive amending Directives 2006/48/EC and 2009/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies.’

- residential mortgage Losses Given Default (LGD) floors; and
- various amendments concerning covered bonds.

Proposed amendments

Capital floors for firms using advanced approaches

- 3.4 The CRD includes a transitional provision⁸ that limits the impact of a reduction in capital requirements of firms that use the Internal Ratings Based (IRB) approach for credit risk and/or the Advanced Measurement Approach (AMA) for operational risk to a percentage – currently 80% – of the requirements under the previous regulatory capital regime. This is implemented in the UK in BIPRU⁹ Transitional Provision (TP)2, which requires these firms to meet:
- their capital requirements under BIPRU; and
 - a second capital requirement that is 80% of the amount required under the preceding relevant Interim Prudential (IPRU) sourcebook as it stood at 31 December 2006.
- 3.5 Firms which were on the Basel II internal models advanced approaches after the new regime was initially applied have therefore maintained the systems necessary to calculate capital requirements under the previous regime. This does not apply to firms who chose to use the non-modelled approaches, as the floor requirements did not apply to them. Therefore, to switch to using these modelled advanced approaches, they need to incur the expense of setting up systems to calculate capital requirements under the previous ‘Basel I’ basis, as well as to provide estimates under the advanced approaches.
- 3.6 To not discourage these firms from moving to the advanced approaches, the CRD has been amended to allow firms who are adopting this approach from 1 January 2010 onwards, subject to supervisory approval on an individual basis, to base the floored capital requirement on the amounts required by the non-modelled approaches under the CRD, as opposed to those of Basel I.
- 3.7 We propose to implement this change by amending BIPRU TP2. The amendment will set out the circumstances in which firms could apply for a waiver from the second capital resources requirement based on IPRU, which would require a firm with this waiver to hold capital resources of at least 80% of its requirements under the non-modelled approaches in BIPRU for credit risk, operational risk and market risk.
- 3.8 The recital to the CRD in relation to this change notes this is to avoid unreasonable and disproportionate implementation costs, and also charges supervisory authorities with monitoring their markets closely, ensuring a level playing field and avoiding distortions.

8 2006/48/EC Article 152(5).

9 BIPRU: Prudential sourcebook for Banks, Building Societies and Investment Firms.

- 3.9 We interpret the above as intending supervisors to prevent firms from using the alternative floor in situations in which they would gain a capital advantage over firms which use the Basel I floor; and that it should only apply where it is impractical and more costly to use the Basel I floor than using the alternative, based on the non-modelled Basel II approaches.
- 3.10 To comply with the policy intent expressed in the recital accompanying the CRD amendment, we envisage making this waiver available in the following circumstances:
- i. when a firm has first used an advanced approach on 1 January 2010 or later; and
 - ii. when a firm does not have access to systems and data that would allow it to calculate capital requirements based on IPRU without incurring materially greater costs than if it were to use the non-modelled BIPRU approaches for the floor instead; and
 - iii. the firm can demonstrate, based on the latest available information at the time it applies for the waiver, that its floored capital requirements under BIPRU are not materially less than those based on IPRU.
- 3.11 The first point is a condition within the revised CRD. The second is aimed at restricting the use of the waiver to firms that are already using the non-modelled Basel II approaches and not, for example, new firms that take on businesses previously assessed under a modelled approach. The third point seeks to mitigate the risk of the amended capital floor being less prudent than the version based on IPRU; however it is acknowledged that it is not possible to check this on an ongoing basis without undermining the purpose of the amended capital floor.

Q4: Do you agree that the above proposal represents an appropriate implementation of the CRD amended capital floors treatment?

Cost benefit analysis

- 3.12 Firms who are using IRB approach for credit risk or AMA for operational risk must be able to determine their capital requirement under the Basel I approach.
- 3.13 The cost of calculating these floors may be excessively high for firms who currently use the CRD non-modelling approaches, as they may not have implemented or retained the necessary systems and processes to calculate these floors. This cost may deter these firms from switching in the future to the modelled approaches.
- 3.14 The IRB approach enables firms to closely align economic risks and regulatory capital. Consequently we think it is desirable to allow firms which would like to switch to the IRB approach or the AMA to use a CRD non-modelling method to compute their capital floor, if the cost of doing it under the Basel I approach would be disproportionate.
- 3.15 Since firms would use this treatment only if it reduces their costs; this amendment should be net beneficial to firms.

3.16 The CRD requires the capital floor to be extended until 31 December 2011 only. To ensure that Basel II minimum capital requirements continue to be underpinned by a non-risk based measure, we have chosen to be super-equivalent and to apply this treatment indefinitely until an asset-based leverage ratio is implemented, as proposed in *The Turner Review* and DP09/2.¹⁰ Introducing this provision will not change the conclusions of the CBA we published in CP09/20,¹¹ Chapter 12.

Q5: Are there any other costs or benefits we should consider in relation to the amended capital floors treatment?

Residential mortgage LGD floor

3.17 The CRD includes a transitional provision under which the exposure weighted average LGD for all retail exposures secured by residential properties may not be lower than 10%. This is in addition to the overall floors which limit Basel II capital requirements to a percentage of those applying to a firm under Basel I. The residential mortgages LGD floor was originally due to expire at the end of this year.

3.18 The CRD provision is the European Union's (EU's) application of a similar floor in the Basel II framework; albeit that the Basel version is at 'account' rather than 'portfolio' level, and does not feature an explicit expiry date. When the Basel Committee on Banking Supervision (BCBS) conducted a review of its framework following the volatility of several mortgage portfolios during the financial crisis in December of last year, it agreed to maintain the 10% LGD floor.

3.19 The CRD implements the BCBS agreement on maintaining the LGD floor by extending the expiry of the LGD floor of 10% for retail exposures secured by residential properties for a further two years, until 31 December 2012. We propose to implement by a 'copy out' into the BIPRU TP 11.6R to incorporate the revised expiry date.

Q6: Is the extension to the residential mortgage LGD floor clear?

Cost benefit analysis

3.20 Mortgage LGD models aim to predict losses in the event of a default in an economic downturn. Due to the lack of historical downturn data at the time of model build, model estimates would contain an element of uncertainty. Uncertainty can also arise from issues such as the price of properties being difficult to evaluate accurately in advance, or if there was a sudden change in the weighted average mortgage LGD of the firm (e.g. from a crash in the housing market). Therefore the LGD floor was established to mitigate this risk of insufficient capital held against exposures.

10 DP09/2, *A regulatory response to the global banking crisis*, (March 2009).

11 CP09/20: *Quarterly Consultation (No.21)*, (July 2009).

- 3.21 Allowing the mortgage LGD floor to expire would remove a mitigant to the risks inherent in banks' models for their credit risks, potentially jeopardising our statutory objectives of market confidence, financial stability and consumer protection. The benefit of maintaining the mortgage LGD floor at 10% is because it mitigates the possibility of regulatory failure from over-relying on banks' internal models.
- 3.22 The mortgage LGD floor does impose a cost for firms that have a weighted average mortgage LGD below 10%. These firms could benefit from removing the floor by reducing their overall level of capital held against residential mortgages under the regulatory system.
- 3.23 Thirteen firms currently run mortgage LGD models. We cannot estimate how many of these firms will benefit from a reduction in capital if the mortgage LGD floor was removed. However, five of these firms' Pillar 1 capital requirement¹² is below their Basel I capital floor¹³ (the requirement to hold 80% of the estimated capital requirement under Basel I rules as a Pillar 1 floor). While these firms may otherwise have achieved an overall decrease in their level of capital held against residential mortgages under the regulatory system if the mortgage LGD floor was to expire, there will be no impact on their minimum Pillar 1 capital requirement, because they are bounded by their Basel I floor.

Q7: Are there any other costs or benefits we should consider in relation to the residential mortgage LGD floor?

Covered bonds

- 3.24 CRD3 makes several changes to covered bonds that must be implemented by 1 January 2011.
- 3.25 CRD3 introduces changes to the eligibility criteria for the assets that may be used to collateralise covered bonds.¹⁴ The amendments change certain asset eligibility criteria and the transitional provisions relating to these. The transitional changes are as follows:
- Extending the derogation removing the limit on the proportion of assets collateralising a covered bond that can be comprised of senior units issued by French Fonds Communs de Créances or equivalent securitisation entities ('the units') from 31 December 2010 to 31 December 2013.
 - Removing the derogation requirement for units to have a credit assessment by a nominated External Credit Assessment Institution (ECAI) which is the 'most favourable category' of assessment given in respect of covered bonds.
 - To benefit from the derogation, the residential or commercial real estate exposures securitised by French Fonds Communs de Créances or equivalent securitisation entities must be originated by:

12 This is based on our most up-to-date firm regulatory return data.

13 See CP09/20 for details of the extension of the requirement to hold 80% of Basel I capital as a Pillar 1 floor.

14 2006/48/EC Annex VI Part 1, points 68 (d) and (e); paragraph 3.

- o a member of the same consolidated group as the issuer of the covered bonds; or
- o by an entity affiliated to the same central body to which the covered bond issuer is also affiliated.
- A member of the same consolidated group as the covered bonds' issuer, or an entity affiliated to the same central body to which the covered bond issuer is also affiliated, should retain the whole first loss tranches supporting the senior units.

The non-transitional changes are as follows:

- reducing the limit of senior units issued by French Fonds Communs de Créances or equivalent securitisation entities that can collateralise covered bonds. The limit has been reduced from 20% of the nominal amount of the outstanding issue to 10%; and
- a new requirement that the relevant special public supervision to protect bondholders, as provided for in Article 52(4) of Directive 2009/65/EC, should ensure that certain criteria relating to the units are satisfied.¹⁵

3.26 We have adopted a copy-out approach to implementing all the changes and amended the relevant provisions in BIPRU as appropriate.

3.27 The CRD3 reference to the “special public supervision” regime appears to strengthen the link between it and the Undertakings for Collective Investments in Transferable Securities (UCITS) directive.¹⁶

Q8: Are the changes to the assets that are eligible to collateralise covered bonds clear?

Cost benefit analysis

3.28 The existing derogation in the CRD required review by the European Commission by 31 December 2010. Further to that review, it was open to the Commission to extend the derogation with or without a further review clause. This Commission review has not taken place and the derogation has been extended in the absence of the necessary review.

3.29 A consequence of the Commission review not occurring is that the appropriateness of the extension of the derogation, and of the other substantive changes to the asset eligibility criteria, has not been evidenced. We are therefore unclear as to the potential costs and benefits of this change at an EEA level.

3.30 From a UK perspective, we understand that UK-regulated covered bond issuers do not currently include the units subject to the Directive changes in their covered bond collateral pools. Should this assumption be correct, these changes should not directly affect UK-covered bond issuers.

¹⁵ These criteria are set out in the CRD3 amendments to Annex VI, Part 1, point 68, (d) and (e) www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2010-0274+0+DOC+XML+V0//EN&language=EN#BKMD-24.

¹⁶ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast).

- 3.31 We also expect that UK firms do not have material exposures to covered bonds issued by non-UK institutions that are collateralised by these units. Should this assumption be correct, the Directive changes should not have a material impact on UK firms that are investors in covered bonds. If, however, UK firms do have exposures to covered bonds collateralised by these units, removing their requirement to have a credit assessment by a nominated ECAI – that is the most favourable category of assessment made by that ECAI in respect of covered bonds – could potentially weaken the credit quality of covered bonds collateralised by these units. However, reducing the limit of the nominal amount of the outstanding issue that can be comprised by the units should mitigate any impact of the changes.
- 3.32 A CBA for the UK’s ‘special public supervision’ of covered bond as a whole was conducted in the joint HM Treasury and FSA consultation document *Proposals for a UK Recognised Covered Bonds legislative framework*¹⁷, published in July 2007. PS08/02 set out the UK Regulated Covered Bonds (RCB) Regime.¹⁸
- 3.33 Including the new CRD reference to the ‘special public supervision’ is not expected to change the regime that has already been implemented in the Regulated Covered Bonds Sourcebook. For this reason there should not be any additional costs or benefits arising from the change.

Q9: Do you agree with our assessment of the costs and benefits in relation to assets eligible to collateralise covered bonds?

Reduction in LGD value of covered bonds

- 3.34 CRD3 introduces an amendment to the covered bond LGD value under the Foundation IRB approach to credit risk which coincides with the derogation relating to this provision expiring.¹⁹
- 3.35 The existing derogation, which applies until 31 December 2010, allows firms using the Foundation IRB approach to use an LGD value for exposures to covered bonds of 11.25% rather than 12.5%, provided certain conditions, designed to ensure the credit quality of the assets collateralising the covered bonds, are satisfied. This derogation expires at the end of this year and the 11.25% LGD value is made permanent. The conditions on asset quality previously attached to use of the lower LGD figure no longer apply.
- 3.36 We have adopted a copy-out approach to implementing these amendments.

Q10: Is the reduction in the LGD value of covered bonds clear?

17 www.hm-treasury.gov.uk/media/F/D/consult_coveredbonds230707.pdf

18 PS08/2, *Regulated Covered Bonds*, (March 2008).

19 2006/48/EC Annex VII, Part 2, section 1, point 8(d).

Cost benefit analysis

- 3.37 The European Commission was required to review the covered bond LGD derogation by 31 December 2010 before any further proposals were made concerning this provision.
- 3.38 Instead, the derogation has been made permanent, with certain attached conditions on asset quality removed, without the necessary Commission review. In the absence of this review, there is a lack of evidence from which to draw firm conclusions on the appropriateness of the changes.
- 3.39 The relative lack of historical covered bond defaults cannot be invoked as an argument supporting a lower LGD. This is because the lack of actual defaults results in an absence of empirical data on losses given default from which an appropriate LGD value can be inferred. The lack of historical defaults must also be considered in the context of implicit and explicit government support provided to EEA credit institutions that issue covered bonds.
- 3.40 Therefore, it is potentially misleading to base a reduction in the covered bond LGD on historic default rates because of the impact of government support and also because the default rate is relevant to determining the probability of default (PD) rather than LGD. The historic default rate does not inform our understanding of potential recoveries should a default occur. Any assessment of whether a lower-covered bond LGD is appropriate should be based on scenarios that consider the default of covered bond issuers in an environment where state support for the covered bond programmes is absent, resulting in the covered bonds relying on the underlying asset pools
- 3.41 Removing the current conditions on asset quality attached to using the lower LGD under the derogation means, in the future, firms can benefit from the lower LGD where the quality of the asset pool that collateralises the covered bonds is potentially lower than currently required. This arguably reduces the conservatism of the Foundation IRB capital requirements for covered bonds. However, as set out in paragraph 3.39, we do not have sufficient data to determine whether this change could result in firms undercapitalising their risks in respect of covered bond exposures.
- 3.42 A lower LGD for covered bonds should imply a higher LGD for unsecured exposures to the firm issuing the covering bond. This is because the issuing firm has a finite amount of assets that can be distributed to creditors upon insolvency. Consequently, any reduction in the LGD on covered bonds must imply lower recoveries to other creditors (and thus a higher LGD for other exposures) given that the lower covered bond LGD implies a higher recovery rate for these bond holders at other creditors' expense. This impact, in the absence of a corresponding LGD increase for other exposures to a covered bond issuing bank, may weaken the adequacy of the CRD requirements for such non-covered bond exposures.
- 3.43 Lower capital requirements for exposures to instruments secured by credit institution's assets (e.g. a lower LGD for covered bonds) can result in higher asset encumbrance. This may result in a large pool of (typically higher-quality) assets being ring-fenced for the benefit of secured creditors, and a smaller pool of lower-quality assets remaining

to other unsecured creditors (including depositors) should the credit institution default. Higher asset encumbrance may also negatively affect a credit institution's ability to access funding in stressed market conditions. The CRD3 change may therefore increase asset encumbrance to the detriment of unsecured creditors. However, we have not attempted to quantify this impact.

- 3.44 Despite these potential costs, we believe the overall costs and benefits for UK firms are likely to be limited due to the relatively small number of firms affected by the change. The only firms affected are those using the Foundation IRB approach to credit risk, of which there are approximately ten in the UK. Due to this, and the relatively modest reduction in the LGD value, we do not consider that the change will have a material impact on the aggregate capital buffer held by UK firms, and we do not believe there should be material concerns for our consumer protection and market confidence objectives.

Q11: Are there any other costs or benefits in relation to the reduction in the LGD value of covered bonds we should consider?

Compatibility statement

- 3.45 Our draft Handbook rules and guidance to implement the CRD3 changes in this chapter seek to reduce the risk of market disruption arising from financial failure of an authorised firm or group of firms. Therefore, they mainly relate to our financial stability and market confidence statutory objective. However, our consumer protection objective is also relevant.
- 3.46 As we expect the costs of the proposed changes to be of minimal significance, we believe that the burden of our proposals is proportionate to the expected benefits. We do not consider that our proposals directly affect the other principles of good regulation. Therefore, we believe we have had regard to the principles of good regulation and consider these proposals to be the most appropriate way of meeting our statutory objectives.

Contact

Comments should reach us by 6 November 2010. Please send them to:

Wayne Riley
Prudential Risk Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 4552
Fax: 020 7066 4553
Email: CP10_22@fsa.gov.uk

4 Changes to the Prudential sourcebook for Insurers with regards to eliminating reciprocal financing (INSPRU)

Introduction

- 4.1 In this chapter we propose to amend the Prudential sourcebook for Insurers (INSPRU) concerning our rules in INSPRU 6 with regards to eliminating reciprocal financing. The amendment clarifies these rules in the light of evidence that possible differences in accounting treatment may result in not achieving our policy objective.
- 4.2 Our powers to make rules and guidance, and the processes we must follow, are set out in the Financial Services and Markets Act 2000 (FSMA). Sections 138, 150(2), 156 and 157(1) are relevant.
- 4.3 This material is primarily likely to be of interest to insurance firms that are members of a group. The proposals are unlikely to be of specific interest to consumers.
- 4.4 The text of the proposed amendment is set out in Appendix 3 to this Consultation Paper.

Proposed amendment

- 4.5 The Insurance Groups Directive (98/97/EC) requires an intra-group creation of capital to be eliminated when calculating group capital resources (in particular Annex 1.1.D). Our rules implementing the Directive – in particular INSPRU 6.1.49R – are aimed at ensuring that, when parental guarantees have been provided to non-group providers of capital to subsidiary insurers within the group, the group capital resources are adjusted. This is because the parental guarantees are, in effect, linked to the capital resources of the subsidiary insurer, resulting in risk being transferred from the external non-group provider of capital back into the group. In applying INSPRU 6.1.49R we believe these guarantees have a positive accounting value, which constitutes the parent's investment in the subsidiary insurer's capital, which must be deducted in the group capital resources calculation under INSPRU 6.1.49R.
- 4.6 We understand that certain transactions are being used, and have been proposed by firms, which include parental guarantees as described in paragraph 4.5. These specifically relate to so-called AXXX capital solutions, which some US subsidiaries of UK insurance groups use to meet local reserving requirements for certain life

products. Some firms and their accountants have argued that the likelihood of such guarantees ever being triggered is so remote that they are accounted for at 'nil' value. The effect of this is that no deduction is required under INSPRU 6.1.49R when calculating group capital resources.

- 4.7 While we continue to disagree with this view, we would like to put the matter beyond doubt, by clarifying our position in INSPRU 6.1.42AR.
- 4.8 Since the proposed rule modification relates to a directive requirement, if firms have existing arrangements with features similar to those described in paragraph 4.5, and their approach to INSPRU 6.1.49R differs from what is described in that paragraph, grandfathering arrangements will not be available.

Q12: Do you agree that our proposal to modify INSPRU 6.1.42AR is appropriate for the purpose of clarifying our rules on the elimination of intra-group creation of capital?

Cost benefit analysis

- 4.9 Our proposed rule change in this Consultation Paper will clarify the application of our rules with respect to the EU Directive requirement to eliminate intra-group creation of capital in the calculation of group capital resources. This should ensure the necessary quality of group capital resources.

We do not consider that modifying the proposed rules introduces anything not already envisaged by relevant parts of the Insurance Groups Directive. However, the modification may entail costs to firms that have arrangements in place with features similar to those described in paragraph 4.5 and their approach to INSPRU 6.1.49R differs from that described in that paragraph. The cost to such firms complying with the modified rules would depend on the extent to which such AXXX transactions contribute to group capital resources and whether firms replace the excluded amounts with non-guaranteed transactions or absorb the excluded amount from existing group capital surpluses. If firms replace the excluded amounts with transactions without parental guarantees, market intelligence suggests an incremental cost of 100 basis points. Using estimates from our supervisors on the amount of capital currently raised by AXXX transactions, we believe the total costs to the industry would be in the region of £15m – £25m per annum.

The benefits from our proposed modification to our rules come from increased clarity, enabling firms to avoid the costs of engaging with us about our requirements. Where firms currently use AXXX transactions and replace these with capital that transfers risk outside of the group, this would achieve greater policyholder protection, in the event that this capital is required to absorb losses.

Compatibility statement

- 4.10 The corrections proposed are compatible with our general duties because they improve the accuracy and usability of the corrected provisions, and thereby enhance the compatibility of those provisions with our statutory duties. The proposal specifically aims to meet our statutory obligation of consumer protection by ensuring the quality of group capital resources.
- 4.11 We have considered the principles of good regulation and, in particular, the principle that a burden or restriction should be proportionate to the expected benefit. Our analysis concludes that the proposal's benefit in terms of enhanced clarity and greater policy-holder protection justifies the potential cost. Although the benefit to policyholders is arguably limited, taking into account the likelihood of guarantee being exercised, it is nevertheless a benefit that would materialise under those circumstances. The potential costs of replacing the guarantee arrangement would be low relative to the capital resources held.

Contact

Comments should reach us by 6 December 2010. Please send them to:

Nick Cook
Prudential Policy Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 1670
Fax: 020 7066 1671
Email: CP10_22@fsa.gov.uk

5 Retail Distribution Review: Adviser Charging changes

Introduction

- 5.1 In March 2010 we published the final Retail Distribution Review (RDR) rules on Adviser Charging, in PS10/6²⁰. To clarify our position on various issues, following queries from trade bodies and firms, we now propose to make minor changes to the Conduct of Business sourcebook sections 6.1A and 6.2A, which will come into force at the end of 2012. With one exception, concerning the so-called ‘re-registration’ of trail commission, our changes are in line with the policy intention set out in PS10/6.
- 5.2 The amendments would be made under section 138 (General rule-making power) and section 157(1) (Guidance) of the Financial Services and Markets Act 2000 (FSMA). The text of the amendments can be found in Appendix 4. These amendments will be of interest primarily to firms, but also to consumers and consumer bodies, as they will affect how firms interact with retail clients.
- 5.3 The amendments, which are covered in more detail below, relate to:
- trail commission that continues to be payable after the end of 2012 on legacy business taken out as a result of a personal recommendation made before the end of 2012 – confirmation that such commission can continue to be received after the end of 2012 and clarification of the position where the client moves to a new adviser;
 - Adviser Charging rules for advisers and product providers in the new COBS section 6.1A; and
 - disclosure of adviser charges and an adviser’s services.

20 PS10/6: *Distribution of retail investments: Delivering the RDR – feedback to CP09/18 and final rules*, (26 March 2010).

Proposed amendments

Trail commission – continued payment after the end of 2012

- 5.4 Concern has been expressed that the new rules would not permit continued payment of trail commission on ‘legacy’ business, in place before the end of 2012 under the existing rules, which continues in existence after the new rules (including the ban on commission for advised sales) come into force at the end of 2012. We have added a transitional rule to confirm that such commission can continue to be paid in accordance with the contractual terms originally agreed between the provider and the adviser. This transitional rule will also cover situations where a firm gives advice on a commission basis very shortly before the end of 2012, but the (initial or trail) commission is not actually paid by the provider until 2013. While new business may not be done on a commission basis after the cut-off date, this rule confirms that commission which has already been earned may continue to be paid.
- 5.5 If the adviser firm, or its book of business, is subsequently sold to another firm, for example, when an adviser who is a sole trader retires, the trail commission will be payable to the new firm, in accordance with the original contractual terms.

Trail commission – where a customer moves to a new adviser

- 5.6 The new rules published in March do not cover the situation where an individual customer moves to a new adviser. Under the terms of business of some product providers, it is possible that, when a client moves from one adviser firm to a new adviser firm, any trail commission which is then in payment may be switched to the new adviser. This process is known as ‘re-registration’. Some providers currently allow the trail commission to be re-registered to the new adviser, while others do not.
- 5.7 Re-registration is different in its effect from the simple continuation in payment of trail commission to an existing adviser. When a new client is taken on by a firm after 2012, he will necessarily be entering into an adviser charging agreement, which should provide a complete description of the services he will receive, and how he is expected to pay. So there is a question of how this can be reconciled with the start of payment of what is, from the adviser firm’s point of view, a new stream of trail commission.
- 5.8 In considering this issue, we looked at a number of options. In doing so we had to take account of the contractual arrangements and market practices that currently exist. Trail commission, like initial commission, is effectively a payment for advice, and the firm which gave the advice will have a right to receive this under a contract with the firm that provided the product. Some contracts, although not all, allow for the transfer of trail to a new adviser. Although this may seem odd, because the new adviser did not provide the original service, it has over the years become an accepted market practice. The main justification is that the new adviser has taken on responsibility for the customer’s future financial arrangements and so in some cases, but not all, the contracts require the new adviser to provide the customer with an ongoing service in relation to the product. In practice, it may also be that advisers accept this because, over time, their losses and gains from individual cases of re-registration will tend to even out.

- 5.9 So far as consumers are concerned, they should usually be aware when re-registration takes place. This is not a regulatory requirement, but a result of checks undertaken by product providers, who generally require applications for re-registration by advisers to be counter-signed by the client concerned, in order to confirm that the new adviser is now acting for that client.
- 5.10 One option which we considered was to prohibit the re-registration of trail commission after 2013. But this would have provided a gain for existing advisers, whilst leading new advisers to charge customers extra for services that they might otherwise have provided in return for receiving the trail. An alternative would have been to require trail commission to be rebated to customers when a new adviser is appointed, but this overlooks the fact that consumers have no contractual entitlement to this money, and that it is in fact a payment they agreed to for advice they had received in the past.
- 5.11 So following discussions with the industry and consumer bodies, we propose to add a new rule saying that re-registration can continue, where permitted by the contract between the provider and the previous adviser, and subject to the terms of that contract. (Some contracts do not permit transfer, whereas others provide, for example, that this is subject to the provider's discretion.) Any application process required by the existing contracts will remain in place. There is no intention to compel new advisers to re-register trail commission if they prefer not to do so.
- 5.12 If a new adviser chooses to re-register commission after 2012, where this is permitted by an existing contract, then new requirements will apply. Firstly, all of the contracts which we have so far seen provide that customers must be told when an adviser applies for re-registration. Our rules will ensure that this continues. Secondly, firms will be required to tell customers the amount of commission being transferred. Thirdly, we have introduced a new requirement that the adviser must provide the customer with an ongoing service in return for the trail commission, and must do so regardless of whether or not the original contract allowed for this as a condition of transfer. (Although if the contract specified that clients should receive a particular level of service following the transfer, we would expect this requirement to be complied with as a minimum.)
- 5.13 We have not specified in the new rule the level or kind of service we would expect the firm to provide to the client. We expect firms and clients would want to discuss and agree this together, and we think it may be unhelpful if our rule was over-prescriptive about what this might be.
- 5.14 We have also considered that the new adviser might not be aware of the precise amount of trail commission payable at the point at which he decides to apply for re-registration, as he will not have seen the original contract. Consequently, we have made it clear that disclosing the amount of money the client will receive need not take place in advance of the application. However, it must take place as soon afterwards as reasonably practicable.
- 5.15 PS10/10²¹ (June 2010) provided for the introduction of 'consultancy charging' for firms providing advice to employers in connection with group personal pension

21 www.fsa.gov.uk/pages/Library/Policy/Policy/2010/10_10.shtml

schemes and group stakeholder pension schemes (GPPs). The rules contained in this PS closely resemble the Adviser Charging rules in PS10/6, which reflects the fact that many issues in the GPP market are similar to those in the retail investment products market. The main differences between the rules arise from how, in the former market, the employer, not individual retail clients, receives advice on establishing a GPP.

- 5.16 Trail commission is a feature of the existing GPP market, and it would appear reasonable to deal with continuing trail commission in the same way as we propose to in the retail investment products market. So we propose to make similar rules on disclosure of information and a requirement for an ongoing service for GPPs. The only difference is that the person who will receive the information, and benefit from the service, will be the employer who set up the relevant GPP, rather than an individual consumer.
- 5.17 The new rules are contained in Appendix 4 as COBS 6.1A.8AR and COBS 6.1A.8B with the new rules for GPPs as COBS 6.1C.8AR and COBS 6.1C.8BR.

Ongoing payment of adviser charges – regular contribution savings schemes

- 5.18 COBS 6.1A.22R allows payment of adviser charges through the product over time where there is an ongoing service or where there is no ongoing service but the retail client has contracted to contribute regularly to the product over time. Our intention is that the second case should apply to all regular savings products, but we have had queries on whether the rule covers products other than life insurance, given the non-contractual nature of payments into those products. We have amended the wording of the rule to ensure it meets our policy intention.

Disclosure of total adviser charge in cash terms and as early as practicable

- 5.19 COBS 6.1A.24R(2) requires the total adviser charge to be disclosed in cash terms (or convert non-cash terms into illustrative cash equivalents) and be made as early as practicable.
- 5.20 A trade body has asked whether a firm must confirm the total adviser charge before a purchase agreed over the telephone takes place, or whether the total amount can be confirmed to the customer after the transaction has taken place. This would apply, for example, to purchasing shares in an investment trust, if the adviser charge that has been agreed is a percentage of the total price. The percentage charge would, of course, have been set out in the charging tariff provided to the client beforehand, in accordance with COBS 6.1A.17R. As the total cost of a trade may vary due to market movements between the client deciding to buy the investment and the order being placed, we believe it would be reasonable to allow the total adviser charge to be confirmed after the transaction takes place. So, we have added new guidance at COBS 6.1A.24A G for ‘distance communications’ (i.e. communications that are not carried out by the parties meeting face-to-face, such as communications made over the telephone or the internet). This applies to cases where the price of an investment is subject to fluctuations in the financial markets. We consider this is beneficial, as it

provides clarity for firms agreeing purchases with consumers by distance means such as the telephone. Firms will be able to use their existing record keeping arrangements to obtain the information that they will need to disclose to their clients, so we expect no incremental costs to arise.

Disclosure of ongoing adviser charges

- 5.21 COBS 6.1A.26G(4) relates to disclosure of ongoing charges expressed as a percentage of funds under management, and requires the disclosure to reflect how the charge may increase as the fund grows. We have amended it so it now only requires disclosure that the charge may increase as the fund grows. The guidance no longer refers to the use of an illustration with an assumed fund growth rate, leaving firms with flexibility as to how they make consumers aware of any possible increase in adviser charges as the fund grows.

Disclosure of restricted status

- 5.22 COBS 6.2A.6R(3) currently requires a firm that provides restricted advice to disclose whether it gives advice limited to retail investment products from a single company, a single group of companies or a limited number of companies. It has been pointed out to us that firms may want to restrict their advice in other ways, such as by advising solely on certain products, so the amended wording in Appendix 4 now relates to any form of restriction. The rules already allow a firm that only looks at products in a relevant market for its customers to offer independent advice (for example, independent advice on ethical investments). But the new amendment will mean that a firm will need to describe its advice as restricted if it does not consider particular types of products that could be suitable for its customers (for example, it does not consider life policies or personal/stakeholder pension schemes). We have changed the services and costs disclosure document and combined initial disclosure document to allow for this.

Q13: Do you agree that adviser firms seeking re-registration of trail commission should tell their clients how much commission they will receive?

Q14: Do you think advisers may have difficulty in knowing how much trail they expect to receive when a transfer takes place? If so, please give your reasons.

Q15: Do you agree that adviser firms seeking re-registration of trail commission should provide their clients with an ongoing service?

Q16: Do you have any information about the number of clients per year that might be re-registered to a new adviser? If so, please give details.

Q17: Do you have any information about the range of amounts within which re-registered trail commission might fall? If so, please give details.

Q18: Do you have any views, taking into account any answer you might provide to Q16 or Q17, on what kinds of services new advisers might provide following re-registration of trail commission? If possible, please include details of the expected additional costs.

Q19: Do you agree with our proposal to apply similar rules to GPPs?

Q20: Do you have any comments on the other rule changes proposed in this chapter?

Cost benefit analysis

Costs

- 5.23 When proposing new rules or amendments to rules, we are obliged (under section 155 of FSMA) to publish a cost benefit analysis (CBA), unless we consider that the proposals will give rise to no costs or to an increase in costs of minimal significance. As a matter of policy, we also provide a CBA for significant proposed guidance relating to rules.
- 5.24 The CBA is an estimate of the costs and an analysis of the benefits that will arise from the proposals. It is a statement of the differences between the baseline (broadly speaking, the current position) and the position that will arise if we implement the proposals.
- 5.25 This CBA follows on from the CBA in PS10/6 (see Chapter 6 and Annex 1). The rules we are consulting on here, like the rules we made in PS10/6, will come into force on 31 December 2012. They will supplement, and in some cases modify, those rules, and so the costs and benefits they impose will be additional to those recorded in the earlier CBA.
- 5.26 Most of the changes proposed in this chapter are intended to clarify the rules published with PS10/6 and are in line with the policy intention underlying those rules. The proposed changes meet requests for clarification by the industry and we do not consider that the amendments impose new requirements. Consequently, we believe no additional costs are created by the clarification amendments.
- 5.27 However, the rules we have made on re-registering trail commission where a customer moves to a new adviser, including when this occurs in the GPP market, may impose additional requirements. At this stage, we believe there are unlikely to be any significant new costs for most adviser firms or for any providers resulting from our proposals. This is because our investigations with market participants have so far revealed that re-registration may only affect a relatively small proportion of those retail investment products paying trail commission. Where this does occur, and the adviser chooses to re-register the trail commission, our rules will require firms to ensure disclosure of trail commission received and to provide

an ongoing service to consumers. The nature and level of the service is not specified in the proposed rules. So, we anticipate that the additional service may be of minimum cost or, alternatively, may already be provided.

- 5.28 As an illustration of these costs, our previous research²² on the amount of time it takes an adviser to give advice on a new product is seven hours on average, equating to a cost of £250. We would not expect an ongoing service to be more resource intensive than the initial advice. So this estimate may be a maximum cost per adviser, for those advisers who decide to re-register trail commission where permitted. This estimate should not, however, be taken to set our regulatory expectations, since it will be up to the adviser to determine the level of service to provide. We have asked for further information about these potential costs in the questions above to enable us to confirm whether this will be the case.
- 5.29 It should also be noted that the rule changes we have made are permissive, not mandatory. So:
- provider firms will not be required to offer re-registration where they do not already do so; and
 - adviser firms can choose whether to ask for re-registration of trail commission for any given new customer. If they prefer not to do so, they can opt to be remunerated for their services solely by adviser charges agreed with the new customer.
- 5.30 It is unclear whether the changes we are making will have an impact on the number of firms opting to make use of re-registration in cases where contracts do not require an ongoing service. On balance, we think this is unlikely. The possibility of re-registration will only arise once a firm has already made the decision to take on a particular individual as a client, (i.e. that it has decided he is likely to be profitable, although the trail commission may be attached to a lower value product). The firm will also be able to adjust the level of ongoing service it agrees to provide in proportion to the financial incentive provided by the trail commission payable.

Benefits

- 5.31 So far as our proposals on trail commission are concerned, we believe the proposed rule changes will benefit consumers by providing additional services and the potential to avoid additional charges upon re-registration. If the trail commission is re-registered to the new adviser, then the consumer concerned will receive an ongoing service in return for the re-registered commission. This will involve no additional cost to the consumer. In the absence of the rule changes the consumer would, if he had wished to receive this service, have had to pay for this through adviser charges, in addition to the trail commission charges he is paying through product charges. Furthermore, it may prevent advisers unnecessarily switching consumers into a new product in order to receive an adviser charge, which may result in transaction costs for consumers or, possibly, a less suitable product.

22 Deloitte (2008) Costing Intermediary Services

- 5.32 We also consider that clarification of the proposed rules may be of benefit to firms. Firms may gain greater certainty on the application of the rules from clarification, which may translate to lower transaction costs.

Compatibility statement

- 5.33 As noted above, all the changes we have proposed in this chapter, apart from that relating to trail commission when a customer moves to a new adviser, are intended to clarify the rules published with PS10/6, and are in line with the policy intention underlying those rules. We still believe that the rules as amended are compatible with our statutory objectives and the principles of good regulation.
- 5.34 The new rules concerning payment of trail commission when a customer moves to a new adviser are designed to remove uncertainty for adviser firms and product providers, while ensuring that the benefits of Adviser Charging and consultancy charging for consumers are retained. So, we believe the rules will maintain market confidence and enhance consumer protection. Any costs will also be proportionate to the benefits, because adviser firms can choose whether or not to ask for transfer of trail commission. They will not be obliged to seek such a transfer if they prefer to be remunerated for their services solely through adviser charges agreed with the new customer.

Contact

Comments should reach us by 6 December 2010. Please send them to:

Anita Flannigan
Conduct Policy Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 0348
Fax: 020 7066 0349
Email: CP10_22@fsa.gov.uk

6 Amendment to the Code of Market Conduct following the ECJ's decision in the *Spector* case (MAR)

Introduction

- 6.1 Following the European Court of Justice's (ECJ) decision on 23 December 2009 in the *Spector* case,²³ we propose to amend the FSA's Code of Market Conduct (in the Market Conduct sourcebook (MAR)), by deleting MAR 1.3.4 E.
- 6.2 In the *Spector* case the ECJ was asked to interpret Article 2 of the Market Abuse Directive (MAD), which prohibits insider dealing. Article 2(1) of MAD states that:
'Member States shall prohibit [certain] persons...who possess inside information from using the inside information by acquiring or disposing of... financial instruments to which that information relates...' (our emphasis).
- 6.3 The UK implemented this article in section 118(2) of the Financial Services and Markets Act 2000 (FSMA), which describes one type of market abuse behaviour as being:
'where an insider deals, or attempts to deal, in a qualifying investment or related investment on the basis of inside information relating to the investment in question ...' (our emphasis).
- 6.4 One question the ECJ considered was whether the reference in Article 2 of MAD to 'using' meant that a separate element of 'use' had to be proved, or whether the mere fact that a person traded while possessing inside information meant the information had been 'used' for these purposes.
- 6.5 In summary, the ECJ found that the fact that a person who holds inside information trades in financial instruments to which that information relates implies that the person has 'used that information', but that is without prejudice to the person's rights of defence and, in particular, the right to rebut that presumption.
- 6.6 We believe that the wording of section 118(2) remains consistent with the ECJ's decision in the *Spector* case and does not need to be amended.

23 Case C-45/08, *Spector Photo Group NV, Chris Van Raemdonck v Commissie voor het Bank, Financie- en Assurantiewezen* (CBFA).

- 6.7 However, MAR 1.3.4 E sets out our opinion that if the inside information was the reason for, or a material influence on, the decision to deal, this indicates that the person's behaviour is 'on the basis of' inside information. This evidential provision suggests we would need evidence of a person's intention, as a separate element, to prove insider dealing.
- 6.8 In light of the ECJ's decision in the *Spector* case, our view is that it is not necessary to provide evidence of a person's intention to prove insider dealing. We therefore think it is appropriate to delete MAR 1.3.4 E. This amendment would be made using our power under section 119 of FSMA. The text of the proposed amendment can be found in Appendix 5.

Q21: Do you agree that MAR 1.3.4 E should be deleted in light of the ECJ decision in the *Spector* case?

Cost benefit analysis

- 6.9 Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments. The requirement, under section 155 of FSMA, does not apply if there will be no increase in costs or if any increase in costs will be of minimal significance.
- 6.10 We do not believe that the amendment to MAR proposed here will have any measurable cost implications either for market participants, or for us.

Compatibility statement

- 6.11 Section 2(1) of FSMA requires that, in carrying out our general functions, we must act in a way that is compatible with our regulatory objectives. This amendment is made to support our regulatory objectives of maintaining market confidence and reducing financial crime.
- 6.12 Section 2(3) of FSMA requires that, in carrying out our general functions, we must have regard to a number of factors, often referred to as the principles of good regulation.
- 6.13 We do not believe this amendment will have any significant cost implications and therefore consider it to be a proportionate measure. We also consider it will continue to enable us to use our resources efficiently and economically when conducting investigations into and bringing proceedings against suspected market abuse.
- 6.14 Although MAR does not apply just to the regulated community, we believe it is in the interests of those who manage the affairs of authorised persons for us to amend MAR so it is consistent with recent ECJ jurisprudence.
- 6.15 We believe that achieving consistency in MAR with recent ECJ jurisprudence helps maintain the cleanliness of UK markets and, thereby, the competitive position of the UK.

Contact

Comments should reach us by 6 December 2010. Please send them to:

Michael Treip
Markets Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 1988
Fax: 020 7066 1989
Email: CP10_22@fsa.gov.uk

7 Extending the list of Appropriate Qualifications in the Training and Competence sourcebook (TC)

Introduction

- 7.1 Our Training and Competence sourcebook (TC) includes qualifications requirements (set out in TC 2.1.1R) for individuals performing certain retail activities. This is because requiring individuals to have qualifications is one way of securing an appropriate degree of protection for retail consumers – qualifications can provide a robust assessment of an individual’s attainment of a baseline level of knowledge and, sometimes, skills.
- 7.2 We said in CP10/12²⁴ that our current focus on individual competency at all levels within the industry (and in particular our qualifications reform under the Retail Distribution Review (RDR) professionalism proposals) had led us to consider whether we need to completely reform and modernise our qualifications requirements to better meet our regulatory outcomes.²⁵ In particular, we proposed to assess all regulatory qualifications and publish a list of those that meet our TC requirements in the Handbook.²⁶
- 7.3 Following CP10/12, in CP10/14²⁷ we said we expected to include further qualifications in the October QCP – in particular to consult on the European Union and other international qualifications put forward by the British Banking Association (BBA) in response to CP09/31.²⁸ Since then we have also been approached by several other organisations (universities, international regulators, qualification providers) and individuals asking us to recognise their qualifications on our qualification list.
- 7.4 We also want to consider whether the legacy qualifications contained in the Financial Services Skills Council’s list of appropriate examinations should be included on our list of regulatory qualifications. The qualifications listed in this CP therefore affect both RDR and non-RDR related activities: where qualifications are required by our rules.

24 CP10/12 *Competence and ethics* (June 2010).

25 In CP10/12 we stated our aims of ensuring the content of qualifications continues to reflect the knowledge and skills individuals need to perform their roles competently; and ensuring we meet our European Union obligations to recognise equivalent cross-border qualifications.

26 CP10/12 also contained our proposed qualification assessment framework against which we would assess qualifications.

27 CP10/14 *Delivering the RDR: Professionalism, including its applicability to pure protection advice, with feedback to CP 09/18 and CP 09/31* (June 2010).

28 CP09/31 *Delivering the RDR: Professionalism; Corporate pensions; and Applicability of RDR proposals to pure protection advice* (December 2009).

Proposed amendments

- 7.5 CP10/12 closed on 6 September and feedback supported our proposals to publish a list of qualifications that meet our requirements. In this Quarterly Consultation Paper (QCP) we are now taking forward our intention to consult on whether we should include additional qualifications on our qualification list. A full analysis of the responses to CP10/12 will follow in a Policy Statement at the end of this year.
- 7.6 Please note that, in the interests of transparency, we have included all qualifications that have been put forward to us for consideration in this QCP. We will assess these against our criteria during the consultation period and so do not necessarily expect all of them to appear in the final Handbook list. Therefore, individual advisers and firms should not rely on the qualifications published within this QCP as meeting our requirements.

Q22: Do you have any comments on the list of qualifications contained in Annex 6?

Cost benefit analysis

- 7.7 Section 155 of FSMA requires us to perform a cost benefit analysis (CBA) of our proposed requirements and to publish the results, unless we consider the proposals will not give rise to any costs or to an increase in costs of minimal significance.
- 7.8 This proposal does not increase the costs set out in the CBA in CP10/12. Therefore the costs as a result of this proposal are minimal and a CBA is not required under FSMA. We also believe the proposal may deliver potential benefits by reducing re-training costs for employees with legacy qualifications and also reduce barriers to EU cross-border employment by recognising EU qualifications.

Compatibility statement

- 7.9 The proposed amendments are designed to help us meet our consumer protection objectives and the principles of good regulation – in particular promoting the international character of financial markets and the desirability of maintaining the competitive position of the UK. We are therefore satisfied that these proposals are compatible with our general duties under section 2 of FSMA.

Contact

Comments should reach us by 6 November 2010. Please send them to:

Sally Rigg
Professional Standards Policy Team
Investment Policy Department, Conduct Policy
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 5756
Fax: 020 7066 5757
Email: CP10_22@fsa.gov.uk

8 Retail Distribution Review: professionalism notifications (TC)

Introduction

- 8.1 In Chapter 4 of CP10/14²⁹ we described two potential new data reporting requirements relating to advisers in scope of the Retail Distribution Review (RDR):
- professional standards data (e.g. qualification held and accredited body used); and
 - transactional data linking product sales information to individual advisers.
- 8.2 We also suggested an alternative approach where firms would monitor their advisers and would notify us as competence and ethics rule breaches arise; however we were unconvinced this would achieve the right outcomes.
- 8.3 We asked two questions relating to these potential new requirements:
- Question 4 asked “Can you provide evidence to show how much it will cost your firm to submit these professional standards data to FSA? Do you have a view on the merits of the alternative approach suggested?” Our analysis of the feedback to this question indicates we should maintain our proposals to collect professional standards data, but to also adopt the alternative approach. This consultation therefore proposes draft rules to be introduced into the Training and Competence module (TC) of the FSA Handbook to require firms to notify us if competence and ethics issues arise with their advisers. Feedback from CP10/14 will be set out in the Policy Statement for that consultation, planned for December 2010.
 - Question 5 asked “What are your views on the most effective way for the FSA to obtain systematic individual transaction data linked to the individual adviser? Do you have a view on the merits of the alternative approach suggested?” Feedback to this question is being used to inform our proposed consultation on RDR data requirements, scheduled for the first quarter of 2011. We do not discuss this question any further in this CP.

29 CP10/14: *Delivering the RDR: Professionalism, including its applicability to pure protection advice, with feedback to CP09/18 and CP09/31* (June 2010).

- 8.4 The proposed changes will be of interest to retail investment advisers and their firms. They will also be of interest to bodies wishing to seek accreditation under the proposals set out in CP10/14, trade associations and professional bodies, as well as their clients and consumers more generally.

Proposed amendments

- 8.5 The proposed amendments will be implemented through TC because it relates to the requirement for firms to ensure their employees remain competent (TC 2.1). The amendments and proposed changes are driven by the need to use our resources in the most efficient and economic way. These proposals will allow us, at minimal cost, to build a better understanding of the precise nature of issues and frequency of their occurrence before the wider RDR requirements coming into force at the end of 2012. The draft Handbook text for the proposed amendments is set out in Appendix 7 to this CP.
- 8.6 Firms are already obliged to monitor the competence and ethical behaviour of their advisers. This requirement will mean that firms must notify the FSA if they identify issues with a retail investment adviser's competence (which includes ethical behaviour).
- 8.7 This builds on the existing obligation on firms to ensure they do not assess a person as competent until the employee has demonstrated the necessary competence to carry out the activity of advice. Once deemed competent, firms must regularly review employees' competence and take appropriate action to ensure they remain competent for their role. The proposed notifications should be made when a person fails to pass an examination in time, when ethical issues are identified in advance of the adviser being deemed competent, and for both competence and ethical issues once they are operating as a competent adviser.
- 8.8 We expect that such notifications arise where a retail adviser has:
- been assessed as competent, but is no longer considered so;
 - failed to attain an appropriate qualification within the time limit proposed in CP10/12;
 - failed to comply with a Statement of Principle³⁰ in carrying out his controlled function; or
 - once been deemed competent, performed an activity outside their area of competence without appropriate supervision.

30 Statements of Principle and Code of Practice for Approved Persons.

- 8.9 The proposed new rule applies to activities in scope of our RDR professionalism work. These are activities 2, 3, 4, 6, 10, 12 and 13 in Appendix 1.1R of TC. This affects individuals who provide retail investment advice in banks, stockbrokers, wealth managers, product providers, independent financial advisers and tied/multi-tied investment intermediaries.³¹
- 8.10 We said in CP10/14 that, were we to pursue firm notifications, we would consult for a shorter timeframe so it would be possible to start gathering data for a full two years before implementing the RDR. Subject to consultation and FSA Board approval, we expect these requirements to come into force in January 2011 and they will apply to all firms employing approved persons that are within the scope of RDR proposals. We therefore intend issuing feedback and final rules in December 2010.

Q23: Do you agree that the draft Handbook text in Appendix 7 to introduce a requirement for firms to notify us in the event of issues relating to competence amongst their advisers is appropriate?

Cost benefit analysis

- 8.11 Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments. The requirement, under section 155 of FSMA, does not apply if there will be no increase in costs or if any increase in costs will be of minimal significance.
- 8.12 We set out the expected costs of our proposals for professional standards data in paragraph 4.4 of CP10/14. In view of the nature of the proposed changes, we expect that any incremental costs involved in requiring firms to notify us of issues relating to individual advisers will not be significant. Possible costs may come from two principal sources: data or information retrieval, and data or information provision.
- 8.13 In terms of data or information retrieval, all firms are under a duty to keep adequate training and competence records (TC 3.1) and firms are obliged to ensure they treat their customers fairly (TCF) under Principle 6 of FSA's Principles for Business, where we set out obligations for all firms that we regulate. We have described how firms can meet TCF requirements by collecting evidence of how they meet consumer outcomes (including outcome 4³² – advice is suitable). Many firms will already therefore compile insights on their individual advisers, (e.g. results of file reviews and other measures). Accordingly, we would not expect the additional data retrieval costs arising from compliance with our proposals to be significant.

31 Included activities are set out in TC App 1.1.1 covering "Designated investment business carried on for a retail client". These are: 2. Advising on Securities which are not stakeholder pension schemes or broker funds; 3. Advising on Derivatives; 4. Advising on Packaged products which are not broker funds; 6. Advising on Friendly Society tax-exempt policies; 10. Undertaking the activity of a Broker fund adviser; 12. Advising and dealing in Securities which are not stakeholder pension schemes or broker funds; 13. Advising and dealing in Derivatives.

32 Where consumers receive advice, the advice is suitable and takes account of their circumstances.

- 8.14 Under Principle 11, firms are already obliged to deal with us in an open and cooperative way, and must disclose to us issues where we would reasonably expect notice. In addition, firms must complete a Form C³³ in the event that an approved person (including advisers within scope of the RDR) stops carrying out their role. Where the reason for cessation of regulated activities is dismissal or suspension the firm must provide further explanation. Firms must also notify us in the event that they become aware of information which might suggest an approved person is no longer fit and proper using Form D.³⁴ Our proposals seek to clarify and build on current requirements, such as asking firms to notify us if an adviser fails to attain an appropriate examination in time, but we consider that any new notification costs will not be significant. As our proposed changes seek to clarify specific circumstances in which these requirements apply under our TC arrangements for retail investment advisers, we believe any additional data or information provision costs will be negligible.
- 8.15 We already receive some ad hoc information relating to possible issues at an individual-adviser level into our contact centre. Our proposals in this CP should lead to an increase in such cases and we expect to incur some costs in supervision and enforcement against this new requirement. These costs are already reflected in the CBA within CP09/31 published in December 2009 and in CP10/14 published in June 2010.
- 8.16 This proposal has the benefits of emphasising the importance we are placing on competence and ethical behaviour of advisers, informing our supervisory activity and providing us with insights on competence and behaviour. This will also help us determine the type of information we need to collect in monitoring adviser behaviour after our RDR proposals are implemented at the end of 2012.

Compatibility statement

- 8.17 The proposed notifications under TC 2.1 are designed to help us meet our consumer protection and market confidence objectives. The proposals in this consultation will have no impact on our other statutory objectives.
- 8.18 By ensuring our rules and guidance on reporting are accurate and relevant, we expect to acquire a better understanding of the competence and ethical behaviour of retail investment advisers. We believe our proposals will enhance our ability to identify issues that may undermine market confidence or lead to consumer detriment. We are therefore satisfied that these proposals are compatible with our general duties under section 2 of FSMA.
- 8.19 As we expect the costs of the proposed changes to be minimal, we believe the burden of our proposals is proportionate to their expected benefits. There will be no effect on the other principles of good regulation.

33 SUP 10 Annex 6 Form C: Notice of ceasing to perform controlled functions.

34 SUP 10 Annex 7 Form D: Notification of changes in personal information or application details.

- 8.20 For these reasons, we believe that we have had regard to the principles of good regulation and consider these proposals to be the most appropriate way of meeting our statutory objectives.

Contact

Comments should reach us by 6 November 2010. Please send them to:

Jonathan Bundy
Conduct Policy Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 6138
Fax: 020 7066 6139
Email: CP10_22@fsa.gov.uk

9 Proposed changes to credit and counterparty risk reporting (SUP)

- 9.1 As a result of working with the data received in the FSA004 and FSA045 regulatory returns, we believe several changes should be made to enable better reconciliation between the two, and ultimately improve our understanding of trends in firms' capital requirements. We also intend to improve the clarity of the existing reporting guidance for several data elements.
- 9.2 For FSA004, we propose additional rows to separate the Standardised Approach item for 'secured on real estate property' into 'residential real estate' and 'commercial real estate'. At present it is not possible to separate these exposures, yet the associated risks and capital treatment are significantly different.
- 9.3 We also propose to add an 'of which' row for specialised lending within the Internal Ratings Based (IRB) corporate exposure class. After discussions with firms we are now aware most use the slotting approach to determine the capital requirements for specialised lending, which means that the reported exposure value and capital requirement figure for the corporate exposure class in FSA004 and FSA045 do not reconcile.
- 9.4 We would also like IRB firms to report Expected Loss estimates at portfolio level, as well as individual and collective impairment (firms we categorise as 'Major Retail Groups' already provide these data through the supplementary FSA004+ report). These items are crucial in determining the overall level of capital required against firms' exposures, so for completeness we believe they should be reported in FSA004.
- 9.5 For the FSA045 return, we intend to introduce new tables explicitly to cover counterparty credit risk (CCR) for sovereigns, institutions and corporates, which will be separate from the existing credit risk tables. As we currently require, UK IRB firms only submit their credit risk exposure data so we can reconcile FSA045 with FSA004. However, we realise we are missing vital information by not collecting a breakdown of CCR exposures. The new tables will mirror the layout of the existing credit risk tables.

- 9.6 A new table will be created for Retail SME (small and medium enterprises) credit risk, which has been missing so far from FSA045. Due to a lack of clarity in our guidance, some firms have reported retail SME exposures in the 'Other Retail' table, while others have excluded them completely. The additional table will allow all firms to report these two exposure classes separately, enabling reconciliation between FSA004 and FSA045.

Q24: Do you agree with the proposed changes to SUP 16 Annexes 24R and 25G? Do you have any other suggestions for improving the reporting returns?

Cost benefit analysis

- 9.7 Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments.

Benefits

- 9.8 The proposed improvements to FSA004 and FSA045 will provide us with data on the key drivers of firms' regulatory capital requirements in a standardised format that will enable more effective peer and trend comparisons and enhance our understanding of specific risks posed by each firm. Furthermore, adding a table for 'Retail SME' to FSA045 will resolve the previous ambiguity that lead to firms adopting inconsistent approaches to reporting these exposures.
- 9.9 We expect that clear, consistent and granular data on firm exposures will aid our monitoring of their capital requirements to ensure that they are aligned with the risks posed by each firm, and will improve our ability to effectively supervise firms and identify issues that may undermine market confidence and financial stability or result in consumer detriment.

Costs

- 9.10 These proposals will affect 30 individual firms that complete both FSA004 and 045 returns and an additional 195 firms that only submit FSA004. In order to obtain estimates of the compliance costs to firms from the amendments to the returns, we circulated information about the proposed changes via the trade bodies and invited firms to inform us of the costs of these changes to their business.
- 9.11 Responses from firms indicate that compliance costs due to proposed changes to FSA004 alone range from £25,000 for a building society to £60,000 for a large banking group. Firms submitting both FSA004 and FSA045 returns reported total compliance costs from all changes from £100,000 to £350,000. According to responses we received, compliance costs will arise primarily from IT changes required to map existing data onto the specified exposure classes and updates to reporting systems.

- 9.12 Despite our repeated attempts to solicit responses, we received only a small number of cost estimates, particularly from smaller building societies. We would, therefore, invite firms to use the consultation period to provide additional estimates if figures above do not reflect the full impact of our proposals on their business.
- 9.13 We expect incremental costs to the FSA to be minimal, as updates to the reporting systems will be carried out as part of wider system changes from implementation of changes consulted on CP09/29.³⁵

Q25: Do you agree with our estimates of costs?

Compatibility statement

- 9.14 The additional data collected through these changes to FSA004 and 045 are designed to help us meet our consumer protection, market confidence and financial stability objectives. The proposals in this consultation will have no impact on our other statutory objectives.
- 9.15 By ensuring that the data we collect is complete and sufficiently granular, we expect to acquire a better understanding of data submitted to us and the risk profile of the firms providing us with these data. We believe that this will enhance our ability to identify issues that may undermine market confidence, lead to consumer detriment, or pose a risk to financial stability. We are, therefore, satisfied that these proposals are compatible with our general duties under section 2 of FSMA.
- 9.16 Based on the cost benefit analysis set out above, we believe that the burden of our proposals is proportionate to their expected benefits. There will be no effect on the remaining principles of good regulation.
- 9.17 For these reasons, we believe that we have had regard to the principles of good regulation and consider these proposals to be the most appropriate way of meeting our statutory objectives.

Contact

Comments should reach us by 6 December 2010. Please send them to:

Faridah Pullara
Accounting Audit & Reporting Policy Department
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 1032
Fax: 020 7066 1033
Email: CP10_22@fsa.gov.uk

35 CP 09/29 Strengthening Capital Standards 3 www.fsa.gov.uk/pages/Library/Policy/CP/2009/09_29.shtml

10 Change to the compensation limit for deposits (COMP)

Introduction

- 10.1 In this chapter we outline our proposal to change the rule in Chapter 10 of the Compensation Sourcebook (COMP): ‘Limits on the amount of compensation payable’. In particular we propose to increase the Financial Services Compensation Scheme (FSCS) deposit compensation limit from £50,000 (or €50,000, if greater) with effect from 31 December 2010, to comply with the €100,000 requirement of the Deposit Guarantee Schemes Directive³⁶ (DGSD).
- 10.2 This chapter also considers some additional consequences of the limit change, and includes a proposal to delete a rule from Chapter 16 of COMP which will become obsolete.
- 10.3 The change will apply from 31 December 2010 to all deposits eligible for FSCS protection. It will set the maximum compensation that FSCS will be able to pay to eligible customers of deposit takers that fail after that date. The text of the proposed amendment can be found in Appendix 9, and the consultation period is one month long. Our proposals will be of interest to all authorised deposit-taking firms, consumers and consumer bodies.

Proposed amendments

- 10.4 The DGSD requires each member state to establish and operate a deposit guarantee scheme. This is delivered in the UK by the FSCS, the UK’s single independent statutory compensation fund for customers of authorised financial services firms. It protects consumers in the event that a financial firm (including an authorised deposit taker) defaults and becomes unable to meet claims against it.

36 94/19/EC as amended by 2009/14/EC

- 10.5 Since 7 October 2008, the FSCS deposit compensation limit has been set at £50,000 or (since 30 June 2009) €50,000, if greater. The amendments to the DGSD in March 2009 require all member states to set their deposit compensation limit at €100,000, with effect from 31 December 2010. This means member states must adopt only this level as their compensation limit: no more and no less. FSCS compensation limits are set through our rules and so it is our responsibility to ensure that our rules reflect this change to the DGSD. This chapter therefore concerns the rule changes that will be required to implement this change.
- 10.6 The amending Directive in March 2009³⁷ (the ‘Amending Directive’) allows member states to set the limit in their national currencies, as long as the limit delivers an equivalent level of protection. The Commission published further draft proposals (the ‘Draft Directive’) in July 2010 which allow for member states to round up the currency conversion to within €2,500 (the ‘tolerance level’).
- 10.7 In determining our proposed converted limit, we seek to ensure compliance with the requirements of the DGSD and to offer consumers the certainty of a stable UK sterling compensation limit.
- 10.8 We believe it is essential for the compensation limit to be capable of being expressed simply so consumers can easily understand it. It should also, where possible, be simple for the FSCS to operate, to speed up the handling of claims and reduce claims handling costs. We therefore propose to round the sterling equivalent on the date of conversion to the nearest whole £5,000, within the tolerance level.
- 10.9 The new compensation limit must take effect from 31 December 2010. However, as we have a statutory obligation to consult publicly on proposed rules³⁸ before implementation, we must calculate the sterling equivalent at an earlier date. We have, therefore, calculated the sterling compensation limit on 1 October 2010. On this date, €100,000 equated to £86,971 using the Bank of England Daily Spot Rate.
- 10.10 Adopting the approach outlined above, this exchange rate produces a compensation limit of £85,000, which is the nearest whole £5,000 and is also within the €2,500 tolerance level. We do not consider that rounding the currency conversion in this way compromises the equivalent protection offered by the UK scheme. It ensures the limit is easily remembered by consumers, and is consistent with article 5 of the Draft Directive.
- 10.11 We propose that £85,000 will be the new FSCS deposit compensation limit with effect from 31 December 2010, unless the sterling euro exchange rate moves materially to the consumer’s disadvantage before we make the final rules in December. If such disadvantage were evident, we propose to revise the limit for inclusion in the final rules, in line with the above approach.
- 10.12 The Draft Directive published in July indicates that we must reassess and realign the UK sterling compensation limit with the euro limit every five years. The Draft Directive also gives member states discretion to make earlier adjustments to the compensation limit after consulting the Commission in the event of currency fluctuation.

37 2009/14/EC

38 s155, Financial Services and Markets Act 2000

10.13 This means that the compensation limit we will specify in our rules in December 2010 can remain fixed for up to five years, offering UK depositors a degree of stability and certainty, which should result in greater confidence. However, if we identify during the five-year period that currency fluctuations occur which result in a material reduction in UK consumer protection in real terms, we can reconsider whether or not our UK FSCS compensation limit delivers the equivalence required by the DGSD.

Q26: Do you agree that it is appropriate to calculate the UK sterling equivalent of €100,000 on 1 October 2010? If not, please give your reasons.

Q27: Do you agree that it is appropriate to round the currency conversion to the nearest whole £5,000? If not, please give your reasons.

Q28: Do you agree with our proposal to increase the limit in the final rules if exchange rates move materially to the consumer's disadvantage before we make the final rules in December 2010? If not, please give your reasons.

Q29: Do you agree with our proposal to reconsider whether the proposed limit delivers equivalence with the DGSD at any point within the following five years should currency fluctuations lead to a significant and real terms reduction in cover in the UK? If not, please give your reasons.

Further consequences of the proposal

Disclosures

10.14 Since 1 January 2010, deposit takers have been required to make prescribed disclosures about FSCS compensation limits upon account opening and on a six-monthly basis.³⁹ As a result of the increase to the compensation limit, firms will need to ensure that, from 31 December 2010, disclosures reflect the correct compensation limit.

10.15 The increased compensation limit of €100,000 will apply in all EEA member states. This means that, from 31 December 2010, our rule requiring 'incoming EEA firms that accept deposits through UK branches and have obtained top-up cover' to provide prescribed disclosures⁴⁰ will become redundant. We therefore propose to delete this rule. All incoming EEA firms that accept deposits through UK branches will now be required to make the disclosures contained in COMP 16.3.3R.

³⁹ Or at least annually if a firm normally communicate with its customers formally less frequently than every six months (see BCOBS 4.1.1R and BCOBS 4.1.4G(8) and COMP 16.3).

⁴⁰ COMP 16.3.4R.

Mergers dual protection

- 10.16 In November 2008, January 2009, March 2009 and October 2009, we made rules⁴¹ to provide additional FSCS protection for consumers who hold accounts with two or more building societies or other mutuals that merge, or whose accounts are transferred to another deposit taker with which they already have an account. This dual protection will, as explained in CP09/16 and PS09/11,⁴² come to an end on 30 December 2010. To continue to provide dual coverage after this date would be to contravene the requirements of the Amending Directive, as the compensation available in respect of these merged entities would exceed the level of compensation required by it.
- 10.17 The dual protection rules were introduced on a temporary basis to reassure customers involved in particular mergers or transfers. They enabled these customers to retain the maximum £50,000 protection that previously applied to each party in the merger, rather than a single £50,000 compensation limit for the single authorised entity produced by the merger. They helped existing savers who wished to keep below the deposit protection limit and also served to reduce withdrawals by savers from successor firms driven purely by compensation considerations.
- 10.18 Originally, dual protection was due to end on 30 September 2009 but we took the decision to extend the protection until 30 December 2010 so that the increase in compensation limit (as required by the Amending Directive) would mitigate any reduction in cover for merger customers when dual protection cover ends.
- 10.19 We acknowledge that some consumers who currently benefit from dual protection may see a reduction in cover from 31 December 2010. However, the end date of this temporary protection has been known since June 2009. Many depositors who wished to maintain the level of FSCS protection they benefited from before a merger of mutual firms (or a transfer of deposits from one deposit taker to another) were given additional time in which to rearrange their financial affairs. We therefore consider that the number of consumers who will experience a real reduction in cover will be relatively small.

Compensation per authorised entity

- 10.20 The FSCS pays compensation to depositors on a per person per authorised institution basis. As discussed in CP08/15,⁴³ we are aware that, where deposit-taking institutions operate different brands, this can potentially cause consumers to misunderstand the extent to which they are covered by the FSCS. However, the FSCS approach is consistent with the requirements of the DGSD and the proposals in the Draft Directive.

41 FSA 2008/64, FSA 2009/1, FSA 2009/21 and FSA 2009/43.

42 CP09/16, 'Financial Services Compensation Scheme: Verification of the single customer view and changes to deposit compensation' (June 2009); PS09/11, *Banking and compensation reform, Including feedback on CP08/23, CP09/3, CP09/11 and CP09/16*, (July 2009).

43 CP08/15, 'Financial Services Compensation Scheme: Review of limits', (October 2008).

- 10.21 We consider, nevertheless, that the increase to the compensation limit reduces the impact of any resulting confusion about coverage because fewer customers will hold deposits in excess of the new limit across all brands within a single authorisation. Furthermore, we have already taken steps to reduce confusion. Since 1 January 2010, firms that operate under more than one trading name have been required to regularly and prominently disclose the trading names under which they operate and the impact this has on a customer's entitlement to compensation from the FSCS. Our website also features an up-to-date list of connected deposit-takers indicating the authorised entity under which each trading name operates.

Temporary high balances

- 10.22 In October 2008 in CP08/15 we sought views on options for protecting temporary high-deposit balances. We then consulted on proposals for detailed rules, in Chapter 2 of CP09/11⁴⁴ in March 2009. We made clear in CP09/11 that we would not be able to make final rules until the conclusion of work being carried out in the EU.
- 10.23 The Draft Directive, published in July 2010, proposes that member states may choose to provide cover in respect of deposits resulting from private residential real estate, and 'life events such as marriage, divorce, invalidity or decease of a Depositor'. If these proposals become law, we would expect to consult on how we should implement these requirements in the UK.

Cost benefit analysis

- 10.24 Section 155 of the Financial Services and Market Act 2000 (FSMA) requires us to publish a cost benefit analysis of the implications of the proposed amendments.

Benefits

- 10.25 Table 1 below contains indicative data that we requested from the British Banking Association (BBA) and the Building Societies Association (BSA) concerning the amount of protection that would be provided if the compensation limit were to be set at £85,000. The table also contains data extrapolated from Credit Unions' Annual Returns to the FSA. For illustrative purposes only, this table shows how changes to the limit from the current £50,000 could potentially affect the coverage of depositors in aggregate.⁴⁵ It highlights the potential direct benefit to depositors through the corresponding example increases in the deposit protection offered. This additional protection could, in turn, improve consumer and market confidence.

44 CP09/11 'FSCS: temporary high deposit balances and implementing changes to the Deposit Guarantee Schemes Directive' (March 2009).

45 Please note that the actual coverage levels could change depending on the currency exchange rate when the rules are finalised in December 2010.

Table 1: level of coverage under different limits

Deposit protection limit	Banks (BBA data ⁴⁶)		Building Societies (BSA data ⁴⁷)		Credit Unions (FSA Annual Returns)	
	% of individual accounts covered	% of total balances covered	% of individuals covered	% of total balances covered	% of individuals covered	% of total balances covered
£50,000	98%	76%	96%	81%	At least 99%	At least 99%
£80,000	Not requested	Not requested	98%	88%	Not requested	Not requested
£85,000	99%	85%	Not available	Not available	Almost 100%	At least 99%

10.26 Expressing the new compensation limit in sterling equivalent rather than in euros makes it easier for UK depositors to understand:

- the level of protection available to them; and
- the implications that the limits might have on their aggregate deposits held with one or more deposit taker.

10.27 The Draft Directive proposes that this compensation limit be fixed every five years. This element of certainty will serve to increase consumer confidence especially when making decisions that are influenced by the level of compensation available, such as where to put their money in the next few years. However, by fixing the limit for five years, the maximum amount of compensation consumers could receive in the event of a deposit taker's failure may be worth more or less than €100,000 on the date of failure, due to currency fluctuations.

10.28 We consider that it would be consistent with the Draft Directive to reconsider the compensation limit should we identify that currency fluctuations have led to consumer detriment, particularly by comparison with the protection available in other EEA member states.

10.29 Table 1 assumes that the compensation limit will be £85,000 when we make the rules in December. If, however, the compensation limit that is implemented on 31 December 2010 is greater, the increase in coverage, as compared with the current £50,000 limit, may be different from the levels suggested by the examples in Table 1.

Q30: Do you agree that the new limit is likely to satisfy our regulatory objectives of consumer protection, public awareness and financial stability?

46 September 2010, based on data from nine banks that represent approximately 60% of the retail banking market.

47 October 2008, based on data from 39 societies, representing 90% of the sector's assets. (The BSA was unable to obtain more recent data).

Costs

- 10.30 The increase in the deposit limit from £50,000 to £85,000 is likely to increase the amount of deposits eligible for compensation by approximately 8%. If an adjustment to the limit is required in December, this might lead to a different level of coverage.
- 10.31 One consequence of the increase in coverage will be that deposit-taking firms whose customers have aggregate account balances in excess of £50,000 will be required to report proportionately higher figures in their fee tariff data than those whose customers only have aggregate account balances of £50,000 or less. It does not follow, however, that the FSCS levy for the deposit-taking class as a whole will be affected by the proposal to increase the compensation limit.
- 10.32 Each fee-block that a firm is allocated to has its own fee rates. These fee rates are applied to the fee tariff data that firms provide us. Reporting increased levels of eligible protected deposits in the tariff data will, therefore, lead to redistributing the levy within the class, rather than increasing the levy itself (although levy payers may have to pay more in the event of a default by any specific firm). The total amount of potential compensation levy on an annual basis will remain the same according to the maximum threshold in place under our rules (currently £1.84bn per year). However, in the event of a default, the increased limit could cause the threshold to be reached and exceeded more rapidly than would currently be the case.

Q31: Do you agree with our assessment that the costs of this proposal will not impose an immediate burden on firms?

Cost to the industry in the event of a default

- 10.33 The table below illustrates that, by increasing the level of compensation coverage, the amount the FSCS (and ultimately the levy payers) would have to cover in the event of a default might increase. In the event of a failure of a small institution, the increase might be modest, but the increase could constitute a significant amount should a midsize deposit taker fail: for example, the failure of an institution with, for instance, £5b in protected deposits would increase FSCS costs by £425m.

Table 2: potential up-front costs in the event of a deposit-taker default⁴⁸

	Firm One	Firm Two
Protected deposits	£5b	£10b
Increase in coverage of total balances	8%	8%
Increase in costs before any recoveries	£400m	£800m

48 The results stated here are upfront costs, in the form of payments by the FSCS, in the event that deposit takers of the given sizes were to fail. These figures do not take account of any potential recoveries. They are based on the aggregate increase of 8% of total balances covered. For banks the coverage increases from 76% to 85%; for building societies we have assumed the increase is approximately 81% to 88%. The results are based on the current deposit structure and eligibility criteria rather than attempting to include possible future events, such as the possibility of the number of deposits exceeding the previous protection threshold of £50,000 growing over time.

- 10.34 The potential effect of moral hazard is difficult to quantify but is a factor that may not be negligible. Depositors may, for instance, be tempted to consolidate their accounts as a reaction to the higher coverage, which again would have an effect on the likely payouts in case of default.

Further associated costs

Disclosures

- 10.35 The disclosure rules contained in BCOBS 4 and COMP 16 have been in place since 1 January 2010. Firms have already incurred the set-up costs associated with these disclosures. Issuing disclosures that include the amended compensation limit would form part of the firms' anticipated annual costs. These annual ongoing costs were estimated in CP09/3⁴⁹ and considered to be minimal in most cases. We acknowledge that, in some instances, ensuring that disclosures issued post 31 December 2010 include the new compensation limit may require a coding or typeset change prior to release. However, we do not believe the cost of this minor adjustment will be significant for deposit-taking firms as the number is the only part of the disclosure that will change.
- 10.36 Only two firms are currently topped up into the FSCS for deposit protection, therefore we do not anticipate a significant impact from the deletion of COMP 16.3.4R. The affected firms will not need to set up a new disclosure, only delete the redundant sections from the existing one. We consider that the cost of this adjustment will not be significant.

Compatibility statement

- 10.37 We believe that our proposed approach is compatible with our statutory objectives of consumer protection, public awareness and financial stability. We also consider that our proposed approach is the most appropriate mechanism for delivering both the requirements of the DGSD and our own regulatory objectives.
- 10.38 Consumer Protection: consistent with our European obligations, our proposed approach ensures that consumers will get as much compensation as possible in the event of a default.
- 10.39 Public awareness: a sterling limit, fixed for up to five years, will facilitate public awareness of the amount of protection offered by the FSCS. Furthermore, the limit will be memorable and easy for consumers to understand in the context of their own finances.

49 CP09/3: 'Financial Services Compensation Scheme reform', (January 2009).

- 10.40 Financial stability: greater protection reduces the likelihood of any potential run on a deposit taker. The proposed approach provides reassurance, in particular to consumers with deposits that were not covered under the previous £50,000 limit but will be covered by the new limit, that it remains safe to transact with UK authorised deposit takers.
- 10.41 In presenting this proposal, we are satisfied that it is compatible with the general duties given to us in section 2 of FSMA, in particular the principle that a burden or restriction should be proportionate to the expected benefits.

Contact

Comments should reach us by 6 November 2010. Please send them to:

Caroline Donellan
Conduct Policy Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 2598
Fax: 020 7066 2599
Email: CP10_22@fsa.gov.uk

11 Proposed changes to aspects of collective investment schemes management (COLL)

Introduction

- 11.1 This chapter proposes a number of amendments to the Collective Investment Schemes sourcebook (COLL) to provide greater clarity on several aspects of scheme management.
- 11.2 We would make these amendments under sections 138, 139 (4), 156, 157(1), 242 and 248 of the Financial Services and Markets Act 2000 (FSMA) and regulation 6 of the Open-Ended Investment Companies Regulations 2001 (OEIC Regulations).
- 11.3 The text of the proposed amendments concerning winding up a scheme or terminating a sub-fund is set out in Appendix 10A to this consultation and remaining amendments are set out in Appendix 10B.

Proposed amendments

Authorised funds which invest in offshore 'deemed' Reporting Funds

- 11.4 When an authorised investment fund (AIF) invests in a second scheme, the treatment of that investment for tax and income allocation purposes depends on the characteristics of the second scheme.
- 11.5 Where the second scheme is another UK authorised fund, the IMA SORP⁵⁰ causes the income of the second scheme to become part of the income property of the first scheme.
- 11.6 Where the second scheme is a Reporting Offshore Fund (ROF), which reports the amount of income but does not necessarily distribute any or all of it, the IMA SORP also causes this amount to be included in the calculation of the first scheme's income property. Each year a ROF must produce a report stating the amount of income that would have arisen if that fund had complied with the IMA SORP.

⁵⁰ Statement of Recommended Practice published by the Investment Management Association.

- 11.7 Where the second scheme is a Non-Reporting Offshore Fund (NROF) the entire undistributed investment return of the second scheme becomes part of the capital property of the first scheme. However, in the absence of any reported income this entire return is taxable as if it were income. This places a UK authorised fund that invests in an NROF at a disadvantage compared to a first scheme that is a ROF because such a ROF may be able to calculate for itself the reportable income of an NROF. The current wording of COLL 6.8.3R(3A) and the supporting elements of the IMA SORP do not provide for this ‘deemed’ reported income to be included in the calculation of income property.
- 11.8 We are therefore proposing to expand the list of permitted transfers between the income account and the capital account listed in COLL 6.8.3R(3A)(c) to include the deemed reported income from a second scheme where that scheme is an NROF.
- 11.9 The FSA is informed by HM Revenue & Customs that, subject to this treatment being permitted by COLL, it is their intention to make regulations which will permit an AIF making such a transfer to treat an investment in an NROF in a similar manner to an investment in a ROF for tax purposes. This will place UK AIFs in a similar position to offshore reporting funds with respect to investments in certain non-reporting offshore funds.

Q32: Do you agree that a change to COLL 6.8.3R is required to enable deemed reported income to form part of income property?

Q33: Do you agree with our proposals?

Winding up schemes and terminating sub-funds

- 11.10 In Chapter 4 of CP10/1⁵¹ we consulted on several proposed amendments to the rules in COLL for winding up authorised schemes or terminating umbrella schemes’ sub-funds, to align the requirements for authorised unit trusts (AUTs) more closely with those for investment companies with variable capital (ICVCs). The feedback we received in response to the consultation agreed with the need to clarify the requirements concerning winding up and termination, but did not agree with many of our proposed amendments.
- 11.11 We received responses from the Investment Management Association (IMA), the Depositary and Trustee Association (DATA), one accountancy firm and two management companies.
- 11.12 We have considered the responses received and have held further discussions with stakeholders to discuss how we might achieve our aims in a practical way.

51 CP10/1 *Quarterly Consultation No. 23* (January 2010).

Definition of when winding up or termination is complete

- 11.13 Most respondents to the January consultation felt that COLL should define when winding up a scheme or terminating a sub-fund is complete. It is difficult to provide a single definition, appropriate for every situation, so we have proposed guidance in COLL 7.3.7AG and corresponding guidance in 7.4.4AG, setting out the minimum conditions we expect to determine when winding up or termination is complete.

Q34: Do you agree with our proposed guidance about when winding-up or termination is complete?

Preparing short and long reports during winding up or termination

- 11.14 The rules in COLL 4.5.13R require an authorised fund manager (AFM) to prepare and provide a short report for the annual and interim accounting periods, to each unitholder on the register. This requirement may be disapplied once winding up or termination has commenced. There are, however, requirements in the UCITS Directive and the OEIC Regulations for the AFM to produce long reports, although these do not need to be sent to each unitholder but must be made available on request.

- 11.15 Where there are outstanding unrealised assets, (e.g. immovable property or suspended stocks), we believe unitholders should have the right to expect regular updates on the progress of the winding up or termination until the final distribution is paid. However, when reviewing the rules following the feedback to our January consultation, we identified there was no such requirement. We are therefore propose to insert a requirement in COLL 7.3.10R(3) and a corresponding requirement in COLL 7.4.5R(2A), together with guidance, for AFMs to provide updates where they choose not to send short reports to unitholders. This allows the AFM some flexibility about how to keep unitholders informed, while ensuring an adequate level of unitholder protection.

Q35: Do you agree that unitholders should be kept informed of the progress of the winding up or termination until the point of the final distribution?

Q36: Do you agree with our proposals?

Final report and accounts

- 11.16 The proposals in CP10/1 were intended to provide clarity to the industry about what we require to wind up a scheme or terminate a sub-fund. The rules in COLL 7.3 are clear that the authorised corporate director (ACD) of an ICVC should produce an audited report and accounts. COLL 7.4 does not impose any equivalent duty on an AUT manager, although most have provided such reports and accounts, so we felt it useful to clarify our expectations in this area.

Q37: Do you agree that our revised proposals sufficiently clarify our expectations for the reports and accounts covering the final accounting period?

Other changes

- 11.17 Our January consultation proposed to reproduce in COLL 7.4 the table of guidance currently in COLL 7.3 for AUT managers' benefit. The response to our original consultation supported this proposal, so we will proceed to do so.
- 11.18 One response to the January consultation identified that the rules state that no units may be issued or cancelled once winding up or termination has begun, however all units must eventually be cancelled to facilitate the final distribution to unitholders. We therefore propose to amend the relevant provisions in COLL 7.3.6R, 7.3.7R, 7.4.3R and 7.4.4R.

Q38: Do you agree this needs to be clarified?

Q39: Do you agree with our proposals?

- 11.19 We also propose to amend COLL 7.4.4R(5) to require that, where 7.4.4R(4) applies, the trustee of an AUT must distribute scheme assets proportionate to that unitholder's entitlement. This brings it in line with the corresponding ICVC rule in COLL 7.3.7R(8) and clarifies that scheme property can either be realised, and the unitholder paid cash, or the scheme property can be transferred in specie.

Q40: Do you agree with our proposal concerning in specie final distribution for AUTs?

- 11.20 Respondents should be aware that a forthcoming Consultation Paper will set out proposals for implementing changes to the UCITS Directive – generally known as UCITS IV. These will include proposals concerning mergers between UCITS, which may have an impact on the proposals in this paper. We will carefully consider the responses to both consultations carefully to provide an integrated regime for merging and winding up the UCITS schemes.

Amendments to property fund rules

Insurance of immovables

- 11.21 Immovable properties are subject to risks outside the depositary or AFM's control but which, if realised, could result in significant losses.
- 11.22 These risks are related to the fabric of the immovable properties and can exist in the form of fire, storm damage, vandalism, etc. Any lack of insurance creates the risk that schemes, as owners of the immovables, could be called on to cover the costs of reinstating the immovable.
- 11.23 We therefore propose to add a requirement in COLL that AFMs must ensure immovables are adequately insured so the scheme is protected in the event the immovable is damaged, and the insurance is sufficient to cover the cost of reinstating the immovables in their present form.
- 11.24 Where the valuation of an immovable includes its contents, the application of this rule should be extended to contents insurance.

11.25 We propose to make similar amendments to COLL 8.4.11R in relation to qualified investor schemes.

Q41: Do you agree with introducing rules requiring the insurance of immovable property?

Clarifying the valuation of development properties

11.26 Under COLL 5.6.19R(7) a non-UCITS retail scheme (NURS) is permitted to hold up to 50% in immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment (collectively known as ‘development properties’).

11.27 AFMs and depositaries have asked us on several occasions to clarify how they should treat a development property with future liabilities that the scheme may be required to cover, and how these should be accounted for in the valuation of scheme property.

11.28 The valuation standards published by the Royal Institution of Chartered Surveyors contain rules and guidance for the scheme’s independent valuer for valuing development properties, but it is the AFM’s responsibility to ensure the scheme is accurately valued.

11.29 We therefore propose to add guidance explaining that we believe it is a condition of investing in development property for the AFM to ensure that future liabilities are included in the immovables’ valuation or, if the liabilities are not included in this valuation, the valuation of the scheme property.

11.30 We propose to make similar amendments to COLL 8.4.14G in relation to qualified investor schemes.

Q42: Do you agree with the introduction of guidance relating to the valuation of development properties?

Clarifying rules about mortgaged immovables

11.31 Following several requests to clarify the meaning of COLL 5.6.19R(5), where 20% (by net asset value) of a scheme’s immovables is permitted to be used to secure borrowing via mortgages, with no single immovable being allowed to secure mortgages greater than 100% of its value, we propose to modify the rule so it is easier to interpret and apply.

11.32 We propose to remove the requirement for the total value of mortgages not to exceed 20% of the scheme property from COLL 5.6.19R(5), as this is in effect replicated by COLL 5.6.19R(6), leaving the restriction that no single immovable can be used to secure mortgages greater than 100% of its value.

11.33 This clarification does not change the meaning and the amendment will aid AFMs and depositaries in their interpretation and application of the rule.

Q43: Do you agree with the amendments to COLL 5.6.19R(5)?

Cost benefit analysis

- 11.34 Section 155 of FSMA requires us to publish a cost benefit analysis (CBA) of the implications of the proposed amendments. The requirement under section 155 of FSMA does not apply if there will be no increase in costs or if any increase in costs will be of minimal significance.

Authorised funds which invest in offshore 'deemed' reporting funds

- 11.35 We do not expect the proposed amendments to lead to a cost increase. The proposals will allow managers to include 'deemed' reported income in calculating income property, should they choose to invest in relevant schemes. We do not propose to introduce any requirements on AFMs in respect of this change.

Winding up a scheme or terminating a sub-fund

- 11.36 As stated in the January Quarterly Consultation, given the nature of the majority of the proposed changes, we do not expect our revised proposals to lead to a cost increase of more than minimal significance. The proposed amendments to existing rules clarify that the same treatment is to be applied consistently to both ICVCs and AUTs during winding up or termination, which many AFMs are already doing.
- 11.37 The requirement for AFMs to update unitholders on the progress of winding up a scheme or terminating a sub-fund could lead to additional costs being incurred, where it is currently not the AFM's policy to do so, for example where they opt not to produce a short report. These costs will only affect AFMs where realising the underlying assets and subsequently distributing them to unitholders takes longer than six months.
- 11.38 As winding up or terminating individual schemes or sub-funds is unique in each situation, due to the funds holding different types of assets in differing proportions, we are unable to quantify these costs.

Amendments to property fund rules

- 11.39 The amendments to COLL 5.6 and COLL 8.4 proposed in this Consultation Paper only relate to AFMs and depositaries of NURS or qualified investor schemes that hold immovable property.
- 11.40 As the proposed amendments to COLL 5.6.19R(5) do not change the meaning of the rule or introduce new requirements, a CBA is not required.
- 11.41 As the AFM is already required to accurately value the scheme property, we do not believe that our proposed guidance supporting the valuation of development properties places any additional burden on the AFM or the depository.

- 11.42 In relation to the insurance of immovables, AFMs are already responsible for the oversight of immovable property and we do not estimate there will be any requirement for additional resource to meet this rule. Where depositaries oversee the AFM's duties, any additional checks will be absorbed into their established monitoring programme. If schemes currently hold uninsured immovables, the schemes' income or the value of the scheme's property may be reduced as a result of introducing this rule and securing insurance – the amount will be specific to the value of the immovables held as scheme property. However, the benefit to unitholders of the resulting reduction of risk outweighs these additional costs.

Q44: Do you agree with our views regarding the CBA?

Compatibility statement

Authorised funds investing in offshore 'deemed' reporting funds

- 11.43 We have had regard to the principle of good regulation, including the principle that restrictions we impose on the industry must be proportionate to the benefits that are expected to result from those restrictions and the desirability of maintaining the competitive position of the UK. Our proposal aims to align COLL with tax legislation.

Winding up of schemes and terminating sub-funds

- 11.44 The proposals aim to meet our statutory objectives of market confidence and consumer protection. By clarifying the current rules we expect that the requirements for AFMs and depositaries will be more clearly defined, allowing the winding up or terminating of an authorised fund to be carried out more efficiently, with equivalent/better protection for investors in these funds.
- 11.45 We have considered the principles of good regulation, especially the principle that a burden or restriction should be proportionate to the expected benefits. Our analysis indicates that the cost impact will be minimal for all the changes proposed, which are mainly intended to clarify that the existing rules apply equally to funds with a corporate structure and funds structured as unit trusts. By amending our rules, we minimise the need for firms to raise queries on this process with us, which also enables us to use our resources more efficiently and economically.

Amending property fund rules

- 11.46 The proposals aim to meet our statutory objectives of market confidence and consumer protection. By clarifying the current rules we expect the requirements for AFMs and depositaries concerning the valuation of immovable property and the ability of schemes to secure mortgages to be more clearly defined. Introducing rules that ensure immovables are insured will provide better protection for investors.

- 11.47 We have considered the principles of good regulation and in particular the principle that a burden or restriction should be proportionate to the expected benefits. Our analysis indicates that the cost impact will be minimal for all changes proposed. These proposals are mostly intended to clarify the existing rules or, where they do introduce new requirements, to provide protection to investors in schemes.

Contact

Comments should reach us by 6 December 2010. Please send them to:

Victoria Connolly
CIS Policy
Conduct Risk Division
Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 3914
Fax: 020 7066 3915
Email: CP10_22@fsa.gov.uk

List of specific consultation questions

Chapter 2

- Q1: Do you agree with the proposed amendments to SYSC 20.1.1R?
- Q2: Do you agree that the implementation date for BIPRU investment firms falling within the scope of the amended rule should be 28 March 2011?
- Q3: Do you agree that the cost benefit analysis performed on BIPRU investment firms for PS09/20 remains valid?

Chapter 3

- Q4: Do you agree that the above proposal represents an appropriate implementation of the CRD amended capital floors treatment?
- Q5: Are there any other costs or benefits we should consider in relation to the amended capital floors treatment?
- Q6: Is the extension to the residential mortgage LGD floor clear?
- Q7: Are there any other costs or benefits we should consider in relation to the residential mortgage LGD floor?
- Q8: Are the changes to the assets that are eligible to collateralise covered bonds clear?
- Q9: Do you agree with our assessment of the costs and benefits in relation to assets eligible to collateralise covered bonds?

- Q10: Is the reduction in the LGD value of covered bonds clear?
- Q11: Are there any other costs or benefits in relation to the reduction in the LGD value of covered bonds we should consider?

Chapter 4

- Q12: Do you agree that our proposal to modify INSPRU 6.1.42A is appropriate for the purpose of clarifying our rules on the elimination of intra-group creation of capital?

Chapter 5

- Q13: Do you agree that adviser firms seeking re-registration of trail commission should tell their clients how much commission they will receive?
- Q14: Do you think advisers may have difficulty in knowing how much trail they expect to receive when a transfer takes place? If so, please give your reasons.
- Q15: Do you agree that adviser firms seeking re-registration of trail commission should provide their clients with an ongoing service?
- Q16: Do you have any information about the number of clients per year that might be re-registered to a new adviser? If so, please give details.
- Q17: Do you have any information about the range of amounts within which re-registered trail commission might fall? If so, please give details.
- Q18: Do you have any views, taking into account any answer you might provide to Q16 or Q17, on what kinds of services new advisers might provide following re-registration of trail commission? If possible, please include details of the expected additional costs.
- Q19: Do you agree with our proposal to apply similar rules to GPPs?
- Q20: Do you have any comments on the other rule changes proposed in this chapter?

Chapter 6

Q21: Do you agree that MAR 1.3.4E should be deleted in light of the ECJ decision in the *Spector* case?

Chapter 7

Q22: Do you have any comments on the list of qualifications contained in Annex 6?

Chapter 8

Q23: Do you agree that the draft Handbook text in Appendix 7 to introduce a requirement for firms to notify us in the event of issues relating to competence amongst their advisers is appropriate?

Chapter 9

Q24: Do you agree with the proposed changes to SUP 16 Annexes 24R and 25G? Do you have any other suggestions for improving the reporting returns?

Q25: Do you agree with our estimates of costs?

Chapter 10

Q26: Do you agree that it is appropriate to calculate the UK sterling equivalent of €100,000 on 1 October 2010? If not, please give your reasons.

Q27: Do you agree that it is appropriate to round the currency conversion to the nearest whole £5,000? If not, please give your reasons.

Q28: Do you agree with our proposal to increase the limit in the final rules if exchange rates move materially to the consumer's disadvantage before we make the final rules in December 2010? If not, please give your reasons.

Q29: Do you agree with our proposal to reconsider whether the proposed limit delivers equivalence with the DGSD at any point within the following five years should currency fluctuations lead to a significant and real terms reduction in cover in the UK? If not, please give your reasons.

Q30: Do you agree that the new limit is likely to satisfy our regulatory objectives of consumer protection, public awareness and financial stability?

Q31: Do you agree with our assessment that the costs of this proposal will not impose an immediate burden on firms?

Chapter 11

Q32: Do you agree that a change to COLL 6.8.3R is required to enable deemed reported income to form part of income property?

Q33: Do you agree with our proposals?

Q34: Do you agree with our proposed guidance about when winding-up or termination is complete?

Q35: Do you agree that unitholders should be kept informed of the progress of the winding up or termination until the point of the final distribution?

Q36: Do you agree with our proposals?

Q37: Do you agree that our revised proposals sufficiently clarify our expectations for the reports and accounts covering the final accounting period?

Q38: Do you agree this needs to be clarified?

Q39: Do you agree with our proposals?

Q40: Do you agree with our proposal concerning in specie final distribution for AUTs?

Q41: Do you agree with introducing rules requiring the insurance of immovable property?

Q42: Do you agree with the introduction of guidance relating to the valuation of development properties?

Q43: Do you agree with the amendments to COLL 5.6.19R(5)?

Q44: Do you agree with our views regarding the CBA?

Amendments to the scope of reverse stress-testing (SYSC)

**SENIOR MANAGEMENT ARRANGEMENTS, SYSTEMS AND CONTROLS
(REVERSE STRESS TESTING) (AMENDMENT) INSTRUMENT 2010**

Powers exercised

- A. The Financial Services Authority 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 138 (General rule-making power);
 - (b) section 150(2) (Actions for damages); and
 - (c) section 156 (General supplementary powers); 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 referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

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

Amendments to the Handbook

- D. The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Senior Management Arrangements, Systems and Controls (Reverse Stress Testing) (Amendment) Instrument 2010.

By order of the Board
[date]

Annex

**Amendments to the Senior Management Arrangements,
Systems and Controls sourcebook (SYSC)**

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

20 Reverse stress testing

20.1 Application and purpose

Application

20.1.1 R (1) SYSC 20 applies to:

(a) ~~a BIPRU firm, unless it is a BIPRU investment firm excluded in accordance with (2) that is:~~

(i) a bank; or

(ii) a building society; or

(iii) a BIPRU investment firm which meets any of the criteria set out in (2), on an individual basis, or in (3), on a consolidated basis; and

...

(2) ~~Subject to (3) and (4), SYSC 20 applies to a BIPRU investment firm is excluded from the scope of SYSC 20 if:~~

(a) ~~where it carries out the regulated activity of managing investments or safeguarding and administering investments, it has assets under management or administration of no more than at least £10 billion (or the equivalent amount in foreign currency); or~~

(b) ~~the total annual fee and commission income arising from its regulated activities is no more than at least £250 million (or the equivalent amount in foreign currency); or~~

(c) ~~it has assets and or liabilities of no more than at least £2 billion (or the equivalent amount in foreign currency).~~

(3) ~~In order to determine whether a BIPRU investment firm is excluded from the scope of SYSC 20, the exclusion criteria in (2) will apply on a consolidated basis to Subject to (4), where all of the BIPRU investment firms within the same UK consolidation group or non-EEA sub-group, taken together as if they were one firm, meet any of the criteria in (2) as if they were one firm, SYSC 20 applies to each of~~

those BIPRU investment firms as if it individually met the inclusion criteria in (2).

- (4) Any *BIPRU investment firm* which is ~~not excluded~~ included within the scope of SYSC 20 in accordance with (2) ~~and~~ or (3) in any given year will continue to be subject to SYSC 20 for the following two years irrespective of whether or not it ~~satisfies the criteria to be excluded~~ continues to meet the inclusion criteria in any of those subsequent years.

Capital Requirements
Directive: amendments
(CRD3) to capital floors
and covered bonds
(BIPRU)

**CAPITAL REQUIREMENTS DIRECTIVE (HANDBOOK AMENDMENTS NO 2)
INSTRUMENT 2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2011.

Amendments to the Handbook

- D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Capital Requirements Directive (Handbook Amendments No 2) Instrument 2010.

By order of the Board
[Date]

Annex

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

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

...

3 Standardised credit risk

...

3.4 Risk weights under the standardised approach to credit risk

...

Exposures in the form of covered bonds

...

3.4.107 R (1) *Covered bonds* means covered bonds as defined in paragraph (1) of the definition in the *glossary* (Definition based on Article 22(4) of the *UCITS Directive*) and collateralised by any of the following eligible assets:

...

(d) loans secured:

- (i) by residential real estate or shares in Finnish residential housing companies as referred to in *BIPRU* 3.4.57R up to the lesser of the principal amount of the liens that are combined with any prior liens and 80% of the value of the pledged properties; or
- (ii) by senior units issued by French Fonds Communs de Créances or by equivalent *securitisation* entities governed by the laws of an *EEA State securitising* residential real estate *exposures* provided that ~~at least 90% of the assets of such Fonds Communs de Créances or of equivalent *securitisation* entities governed by the laws of an *EEA State* are composed of mortgages that are combined with any prior liens up to the lesser of the principal amounts due under the units, the principal amounts of the liens, and 80% of the value of the pledged properties and the units qualify for *credit quality step 1* where such units do not exceed 20% of the nominal amount of the outstanding issue~~ the special public supervision to protect bond holders as provided for in Article 52(4) of

Directive 2009/65/EC of the European Parliament and of the Council ensures that the assets underlying such units must, at any time while they are included in the cover pool, be at least 90% composed of residential mortgages that are combined with any prior liens up to the lesser of the principal amounts due under the units, the principal amounts of the liens, and 80% of the value of the pledged properties, that the units qualify for *credit quality step 1* and that such units do not exceed 10% of the nominal amount of the outstanding issue; or

- (e) (i) loans secured by commercial real estate or shares in Finnish housing companies as referred to in *BIPRU* 3.4.57R up to the lesser of the principal amount of the liens that are combined with any prior liens and 60% of the value of the pledged properties; or
- (ii) ~~loans secured by senior units issued by French Fonds Communs de Créances or by equivalent *securitisation* entities governed by the laws of an *EEA State* securitising commercial real estate exposures provided that, at least, 90% of the assets of such Fonds Communs de Créances or of equivalent *securitisation* entities governed by the laws of an *EEA State* are composed of mortgages that are combined with any prior liens up to the lesser of the principal amounts due under the units, the principal amounts of the liens, and 60% of the value of the pledged properties and the units qualify for *credit quality step 1* where such units do not exceed 20% of the nominal amount of the outstanding issue~~ the special public supervision to protect bond holders as provided for in Article 52(4) of Directive 2009/65/EC of the European Parliament and of the Council ensures that the assets underlying such units must, at any time while they are included in the cover pool, be at least 90% composed of commercial mortgages that are combined with any prior liens up to the lesser of the principal amounts due under the units, the principal amounts of the liens, and 60% of the value of the pledged properties, that the units qualify for *credit quality step 1* and that such units do not exceed 10% of the nominal amount of the outstanding issue; or
- (iii) ...

...

...

(4) ~~Until 31 December 2010 the 20% limit for senior units issued by French Fonds Communs de Créances or by equivalent *securitisation* entities specified in subpoints (d) and (e) does not apply, provided that those senior units have a credit assessment by a *nominated ECAI* which is the most favourable category of credit assessment made by the *ECAI* in respect of *covered bonds*. [deleted]~~

(4A) Until 31 December 2013, the 10% limit for senior units issued by French Fonds Communs de Créances or by equivalent *securitisation* entities as specified in (1)(d)(ii) and (1)(e)(ii) does not apply, provided that:

(i) the *securitised* residential or commercial real estate *exposures* were originated by a member of the same consolidated group of which the *issuer* of the *covered bonds* is also a member or by an entity affiliated to the same central body to which the *issuer* of the *covered bonds* is also affiliated (that common group membership or affiliation to be determined at the time the senior units are made collateral for *covered bonds*); and

(ii) a member of the same consolidated group of which the *issuer* of the *covered bonds* is also a member or an entity affiliated to the same central body to which the *issuer* of the *covered bonds* is also affiliated retains the whole first loss tranche supporting those senior units.

...

...

4 The IRB approach

...

4.4 The IRB approach: Exposures to corporates, institutions and sovereigns

...

IRB foundation approach: LGDs

4.4.34 R A *firm* must use the following *LGD* values:

...

(4) *covered bonds* may be assigned an *LGD* value of ~~12.5%~~ 11.25%; and

...

4.4.35 R ~~Until 31 December 2010, *covered bonds* as set out in *BIPRU* 3.4.107R to *BIPRU* 3.4.110R may be assigned an *LGD* value of 11.25% if:~~

- (1) ~~assets set out in *BIPRU* 3.4.107R(1)(a) to (c) collateralising the *covered bonds* all qualify for *credit quality assessment step one* as set out in *BIPRU* 3;~~
- (2) ~~where assets set out in *BIPRU* 3.4.107R(1)(d) and *BIPRU* 3.4.107R(1)(e) are used as collateral, the respective upper limits laid down in each of those points is 10% of the nominal amount of the outstanding issue;~~
- (3) ~~assets as set out in *BIPRU* 3.4.107R(1)(f) are not used as collateral;~~
~~or~~
- (4) ~~the *covered bonds* are the subject of a credit assessment by a *nominated ECAI*, and the *ECAI* places them in the most favourable category of credit assessment that the *ECAI* could make in respect of *covered bonds*. [deleted]~~

~~[Note: *BCD* Annex VII Part 2 point 8 (part)]~~

...

Transitional Provisions and Schedules

...

TP 2 Capital floors for a firm using the IRB or AMA approaches

...

Waiver from IPRU capital resources requirement

- 2.11A G Article 152(5d) and (5e) of the *Banking Consolidation Directive* allows the *FSA* to waive the capital floor calculation based on the *IPRU* capital resources requirement in *BIPRU* TP 2.8R(3), or *BIPRU* TP 2.8R(3) as applied in *BIPRU* TP 2.9R, on a case-by-case basis only if a *firm* started to use the *IRB approach* or the *advanced measurement approach* on or after 1 January 2010. The *FSA* will consider an application for such a *waiver* in the light of the criteria in section 148 of the *Act* (Modification or waiver of rules).
- 2.11B R If a *firm* has a *waiver* referred to in *BIPRU* TP 2.11AG, it must provide *capital resources* that equal or exceed 80% of the *capital resources requirement* that the *firm* would be required to provide under the relevant sections of *BIPRU* applicable to it immediately before it started to use the *IRB approach* or the *advanced measurement approach* as those sections were in force on 31 December 2010.

...

TP 11 IRB transitionals

...

Residential properties

- 11.6 R In accordance with Article 154(5) of the *Banking Consolidation Directive*, until ~~31 December 2010~~ 31 December 2012, the *exposure*-weighted average *LGD* for all *retail exposures* secured by residential properties and not benefiting from guarantees from central governments must not be lower than 10%.

...

Changes to the Prudential sourcebook for Insurers with regards to eliminating reciprocal financing (INSPRU)

**PRUDENTIAL SOURCEBOOK FOR INSURERS (AMENDMENT NO 2)
INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in or under the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [] 2011.

Amendments to the Handbook

- D. The Prudential sourcebook for Insurers (INSPRU) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Prudential Sourcebook for Insurers (Amendment No 2) Instrument 2011.

By order of the Board
[] 2011

Annex

Amendments to the Prudential sourcebook for Insurers (INSPRU)

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

- 6.1.42A R For the purposes of calculating *group capital resources*, a *firm* must exclude:
- (1) the book value of any investment by a *related undertaking* of the *undertaking* in INSPRU 6.1.17R in shares of, or loans to, an *undertaking* that is not a *related undertaking*, where that *undertaking* has invested in the *capital resources* of a *regulated related undertaking* of the *undertaking* in INSPRU 6.1.17 R;
 - (2) any item of capital not in (1) to the extent that it is the result of or otherwise attributable to reciprocal financing arrangements entered into by the *undertaking* in INSPRU 6.1.17R or by a *related undertaking* of an *undertaking* in INSPRU 6.1.17R.
- 6.1.42B G The *Insurance Groups Directive* gives an example of reciprocal financing as when an insurance undertaking, or any of its related undertakings, holds shares in, or makes loans to, another undertaking which, directly or indirectly, holds an element eligible for the solvency margin of the first undertaking. However, there are other instances of reciprocal financing, for example where a *group undertaking* provides a guarantee to an *undertaking* outside the *group*, in whole or partial reliance on which the non-*group undertaking* invests in or provides any kind of financial accommodation to support the *capital resources* of a *group undertaking* whose *capital resources* are relevant to the *group capital resources* calculation. INSPRU 6.1.42AR(2) requires that *firms* exclude from *group capital resources* those items of capital resulting from or attributable to such reciprocal financing arrangements.

Retail Distribution Review: Adviser Charging changes

**RETAIL DISTRIBUTION REVIEW (ADVISER CHARGING) (NO 2)
INSTRUMENT []**

Powers exercised

- A. The Financial Services Authority 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 138 (General rule-making power);
 - (b) section 145 (Financial promotion rules);
 - (c) section 149 (Evidential provisions);
 - (d) section 156 (General supplementary powers); and
 - (e) section 157(1) (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 referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2012.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Conduct of Business sourcebook (COBS) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Retail Distribution Review (Adviser Charging) (No 2) Instrument [].

By order of the Board
[date]

Annex A

Amendments to the Glossary of definitions

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

<i>GPP legacy commission</i>	a commission, remuneration or benefit offered or paid to a <i>firm</i> , an <i>employee benefit consultant</i> or another third party for the benefit of that <i>firm</i> , <i>employee benefit consultant</i> or third party in relation to a <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> when the employer's part of the relevant scheme was established on or before 30 December 2012 and the relevant offer or payment was permitted by the <i>rules</i> in force on 30 December 2012.
<i>legacy commission</i>	any form of commission or remuneration, including a benefit of any kind, offered or given in connection with a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>retail investment product</i> when that <i>personal recommendation</i> was made on or before 30 December 2012.

Annex B

Amendments to the Conduct of Business sourcebook (COBS)

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

6.1A Adviser charging and remuneration

Requirement to be paid through adviser charges

...

6.1A.8A R A firm or an appointed representative may not enter into an arrangement under which the right to receive legacy commission is transferred to that firm or appointed representative (“the transferee”) by another party unless the following conditions are satisfied:

- (1) the transfer is permitted under the terms of a contract which was entered into by that other party on or before 30 December 2012; and
- (2) the retail client in respect of whom the right to receive legacy commission arises is a client of the transferee as at the date of the transfer.

6.1A.8B R If a firm or an appointed representative enters into an arrangement in COBS 6.1A.8A it must:

- (1) before entering into the arrangement, disclose to the retail client its intention to request the transfer of the legacy commission;
- (2) throughout the period during which it receives the legacy commission, provide the retail client with an ongoing service; and
- (3) as soon as reasonably practicable after it makes the disclosure in (1):
 - (a) disclose to the retail client the amount of legacy commission it receives; and
 - (b) provide the retail client with an explanation of the ongoing service it will provide to the retail client in accordance with (2).

...

Ongoing payment of adviser charges

6.1A.22 R A firm must not use an adviser charge which is structured to be payable by the retail client over a period of time unless (1) or (2) applies:

- (1) the adviser charge is in respect of an ongoing service for the provision of personal recommendations or related services and the

firm has disclosed that service along with the *adviser charge*; or

- (2) ~~the *adviser charge* relates to a *retail investment product* to for which the *retail client* has contracted to contribute to regularly over a period of time~~ an instruction from the *retail client* for regular payments is in place and the *firm* has disclosed that no ongoing *personal recommendations* or service will be provided.

...

Disclosure of total adviser charges payable

...

6.1A.24A **G** If the price of the *retail investment product* may vary as a result of fluctuations in the financial markets and the *adviser charge* is expressed as a percentage of that price, a *firm* which makes a *personal recommendation* to a *retail client* in relation to a *retail investment product* by means of a distance communication need not disclose to the *retail client* the total *adviser charge* payable to the *firm* or any of its *associates* by the *retail client* until after execution of the transaction, provided it does so promptly.

...

6.1A.26 **G** To comply with the *rule* on disclosure of total *adviser charges* (COBS 6.1A.24R) and the *fair, clear and not misleading rule*, a *firm's* disclosure of the total *adviser charges* should:

...

- (4) if an ongoing *adviser charge* is expressed as a percentage of funds under management, clearly reflect in the disclosure how that the *adviser charge* may increase as the fund grows, ~~for example by illustrating the *adviser charge* assuming a fund growth rate which is consistent with an *intermediate rate of return*~~; and

...

...

6.1C Consultancy charging and remuneration

...

Requirement to be paid through consultancy charges

...

6.1C.8A **R** A *firm* or an *appointed representative* may not enter into an arrangement under which the right to receive *GPP legacy commission* is transferred to that *firm* or *appointed representative* (“the transferee”) by another party unless the following conditions are satisfied:

- (1) the transfer is permitted under the terms of a contract which was entered into by that other party on or before 30 December 2012; and
- (2) the employer in respect of whom the right to receive *GPP legacy commission* arises is a client of the transferee as at the date of the transfer.

6.1C.8B R If a *firm* or an *appointed representative* enters into an arrangement in *COBS* 6.1C.8A it must:

- (1) before entering into the arrangement, disclose to the employer its intention to request the transfer of the *GPP legacy commission*;
- (2) throughout the period during which it receives the *GPP legacy commission*, provide the employer with an ongoing service; and
- (3) as soon as reasonably practicable after it makes the disclosure in (1):
 - (a) disclose to the employer the amount of *GPP legacy commission* it receives; and
 - (b) provide the employer with an explanation of the ongoing service it will provide to the employer in accordance with (2).

...

6.2A Describing advice services

...

6.2A.6 R ...

- (3) If a *firm* provides *restricted advice*, a ~~*firm*~~ its disclosure must include in its disclosure an explanation about whether the advice is limited to *retail investment products* from a single company, a single group of companies or a limited number of companies explain the nature of the restriction.

...

Amend the following as shown.

6 Annex 1G Services and costs disclosure document described in COBS 6.3.7G(1)

...



about our services and costs
1]

[Note
[Note 3]

[123 Any Street
Some Town
ST21 7QB]

[Note 2]]

1. The Financial Services Authority (FSA)

...

2. Which service will we provide you with? [Note 4] [Note 5]

- Independent advice – We will advise and make a recommendation for you after we have assessed your needs. Our recommendation will be based on a comprehensive and fair analysis of the market. [Note 6]
- Restricted advice – We will advise and make a recommendation for you after we have assessed your needs, but we only offer advice on a limited number of products, or products from one company or a limited number of companies. [Note 7].
- No advice – You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

...

Note 7 – if the *firm* selects this box, it will be offering:

- (a) products from a limited number of companies; or
 (b) products of a single company or single group of companies; or
 (c) its own products (e.g. where the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part's trading name); ~~or~~
 (d) *basic advice on stakeholder products*;
 (e) a limited number of products; or
 (f) a limited number of products from a single company or from a limited number of companies.

The *firm* should replace the preceding text with the relevant text as set out below. If the *firm* does not select this box, then no amendments should be made to the preceding text.

(a)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from a limited number of companies. You may ask us for a list of the companies whose products we offer.” [Note b].
(b)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from [name of provider].” or if the provider has only one product the <i>firm</i> should amend the text to the singular, for example “We [can] [Note a] only offer a pension from [name of provider].”
(c)	“Restricted advice – <u>We only offer our own products.</u> We will advise and make a

	recommendation for you after we have assessed your needs. We only offer our own products. <u>You may ask us for a list of the products we offer advice on.</u> [Note e]
(d)	“Restricted advice – We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances, but we will not conduct a full assessment of your needs or offer advice on whether a non-stakeholder product may be more suitable.” [Note c]: “We [can] [Note a] offer products from a single stakeholder product provider.”; or “We [can] [Note a] offer products from a limited number of stakeholder product providers You may ask us for a list of the companies whose products we offer.” [Note b]; or “We only offer our own stakeholder products.”
(e)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We only offer advice on a limited number of products. You may ask us for a list of the products we offer.” [Note b]
(f)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We offer advice on a limited number of products (which we offer from [a single company] [from a limited number of companies] [Note d]). You may ask us for a list of the companies and products we offer advice on.” [Note b]

[Note a] – insert “can” if the *firm’s* range of products is determined by any contractual obligation.

[Note b] – the list of products will be the range of *retail investment products* that is appropriate having regard to the services that the *firm* is providing, or may provide, to the *client*. For services provided in relation to non-investment insurance contracts, this is the list required by *ICOBS* 4.1.6R(2).

[Note c] – the *firm* should insert one of the three statements, whichever is relevant.

[Note d] – the *firm* should select this option if it does not only offer its own products. The firm should insert one of the two statements, whichever is relevant.

[Note e] – the *firm* should only select this option if it only offers its own products.

...

Amend the following as shown.

6 Annex 2 Combined initial disclosure document described in COBS 6.3, ICOBS 4.5, MCOB 4.4.1R(1) and MCOB 4.10.2R(1)

....



about our services and costs

[Note 1]



[Note 2]

[Note 3]
[123 Any Street
Some Town
ST21 7QB]

1 The Financial Services Authority (FSA)

...

2 Whose products do we offer? [Note 4][Note 6]

...

3 Which service will we provide you with? [Note 4][Note 6]

Investment

- Independent advice – We will advise and make a recommendation for you after we have assessed your needs. Our recommendation will be based on a comprehensive and fair analysis of the market. [Note A]
- Restricted advice – We will advise and make a recommendation for you after we have assessed your needs, but we only offer advice on a limited number of products, or products from one company or a limited number of companies. [Note B].
- No advice - You will not receive advice or a recommendation from us. We may ask some questions to narrow down the selection of products that we will provide details on. You will then need to make your own choice about how to proceed.

...

Note B– if the *firm* selects this box, it will be offering:

- a) products from a limited number of companies; or
- b) products of a single company or single group of companies; or
- c) its own products (e.g. where the *firm* is a *product provider* offering only its own products, or is part of a *product provider* offering only the products sold under that part’s trading name); ~~or~~
- d) *basic advice on stakeholder products*;
- e) a limited number of products; or
- f) a limited number of products from a single company or from a limited number of companies.

The *firm* should replace the preceding text with the relevant text as set out below. If the *firm* does not select this box, then no amendments should be made to the preceding text.

(a)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from a limited number of companies. You may ask us for a list of the companies whose products we offer.” [Note b].
(b)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. We [can] [Note a] only offer products from [name of provider].” or if the provider has only one product the <i>firm</i> should amend the text to the singular, for example “We [can] [Note a] only offer a pension from [name of provider].”
(c)	“Restricted advice – We only offer our own products. We will advise and make a recommendation for you after we have assessed your needs. We only offer our own products. <u>You may ask us for a list of the products we offer advice on.</u> ” [Note e]
(d)	“Restricted advice – We will provide basic advice on a limited range of stakeholder products and in order to do this we will ask some questions about your income, savings and other circumstances, but we will not conduct a full assessment of your needs or offer advice on whether a non-stakeholder product may be more suitable.” [Note c]: “We [can] [Note a] offer products from a single stakeholder product provider.”; or “We [can] [Note a] offer products from a limited number of stakeholder product providers You may ask us for a list of the companies whose products we offer.” [Note b]; or “We only offer our own stakeholder products.”
(e)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. <u>We only offer advice on a limited number of products. You may ask us for a list of the products we offer.</u> ” [Note b]
(f)	“Restricted advice – We will advise and make a recommendation for you after we have assessed your needs. <u>We offer advice on a limited number of products (which we offer from [a single company] [from a limited number of companies] [Note d]. You may ask us for a list of the companies and products we offer advice on.</u> ” [Note b]

[Note a] – insert “can” if the *firm*’s range of products is determined by any contractual obligation.

[Note b] – the list of products will be the range of *retail investment products* that is appropriate having regard to the services that the firm is providing, or may provide, to the *client*. For services provided in relation to non-investment insurance contracts, this is the list required by *ICOBS* 4.1.6R(2).

[Note c] – the *firm* should insert one of the three statements, whichever is relevant.

[Note d] – the *firm* should select this option if it does not only offer its own products. The firm should insert one of the two statements, whichever is relevant.

[Note e] – the *firm* should only select this option if it only offers its own products.

...

TP 2 Other Transitional provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: coming into force
...					
2.2	...				
<u>2.2B-2</u>	<u>COBS 6.1A (Adviser charging and remuneration) and COBS 6.1B (Retail investment product provider requirements relating to adviser charging and remuneration)</u>	<u>R</u>	<p><u>COBS 6.1A (Adviser charging and remuneration) and COBS 6.1B (Retail investment product provider requirements relating to adviser charging and remuneration) do not prohibit a firm or its associates from offering or paying legacy commission to another firm or third party for the benefit of that firm or third party in respect of a personal recommendation (and any related services) in relation to a retail investment product if:</u></p> <p>(1) <u>the relevant offer or payment was permitted by the rules in force on 30 December 2012;</u></p> <p>(2) <u>the contract under which the right to receive the legacy commission arises was entered into on or before 30 December 2012;</u> <u>and</u></p> <p>(3) <u>the terms of that contract as at 30</u></p>	<u>From 31 December 2012</u>	<u>31 December 2012</u>

			<u>December 2012</u> <u>included the right</u> <u>to receive the</u> <u>legacy commission.</u>			
2.2B-1	...					
...						

Amendment to the
Code of Market Conduct
following the ECJ's
decision in the *Spector*
case (MAR)

MARKET CONDUCT SOURCEBOOK (AMENDMENT NO 10) INSTRUMENT 2010

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000:
- (1) section 119 (The code); and
 - (2) section 121 (Codes: procedure).

Commencement

- B This instrument comes into force on [date] 2010.

Amendments to the Handbook

- C. The Market Conduct sourcebook (MAR) is amended in accordance with the Annex to this instrument.

Citation

- D. This instrument may be cited as the Market Conduct Sourcebook (Amendment No 10) Instrument 2010.

By order of the Board
[date] 2010

Annex

Amendments to the Market Conduct sourcebook (MAR)

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

1.3 Market abuse (insider dealing)

...

Factors to be taken into account: “on the basis of”

1.3.3 E ...

1.3.4 E ~~In the opinion of the FSA, if the *inside information* is the reason for, or a material influence on, the decision to *deal* or attempt to *deal*, that indicates that the *person’s behaviour* is “on the basis of” *inside information*.~~ [deleted]

Extending the list of Appropriate Qualifications in the Training and Competence sourcebook (TC)

Appropriate Qualifications

Amendments to the Training and Competence Sourcebook (TC)

Note

It is intended that the following provisions will be included in the Training and Competence Sourcebook (Qualification Requirements and Time Limits) Instrument 2010 which was published in Consultation Paper 10/12. We are proposing to include the qualifications listed in this Appendix in addition to those which were listed in the relevant tables in Annex D of that draft instrument when this instrument is made by the Board.

Unless otherwise indicated all qualifications are valid if awarded by examination only.

Table 2 **Advising on (but not dealing in) securities (which are not stakeholder pension schemes or broker funds)**

Activity Number in TC Appendix 1.1.1 R - 2

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification gap fill is attained within the relevant time limits

Syllabus

(i) Post 2010 reformed Appropriate Exam standards version as revised;

(ii) Pre 2010 reformed Appropriate Exam standards version

Qualification	Qualification Provider	Status	Key	Valid until where applicable
Fellow by examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	ii	1*	
Certificate in Securities	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	1	31/12/2012
Masters in Wealth Management	The Chartered Institute for Securities & Investment	i	1	
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	1	31/12/2012
Securities and Institute Level 3 Certificate in Investments (Securities)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	1	31/12/2012
SFA Securities Representative Examination	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	1*	

Qualification	Qualification Provider	Status	Key	Valid until where applicable
Advanced Financial Planning Certificate (must include a pass in G70)	Chartered Insurance Institute	ii	1*	
Associate or Fellow (life and pensions route only)	Chartered Insurance Institute	ii	1*	
Fellow or Associate	Faculty or Institute of Actuaries	ii	1*	
BA (Hons) Financial Services, Planning and Management	Manchester Metropolitan University	i	1	
TSA Registered Representative Examinations	The Securities Association	ii	1*	
MA in Finance and Investment	University of Exeter	ii	1*	
BA in Accounting and Finance	University of Stirling	ii	1*	
BA in Finance	University of Stirling	ii	1*	
MSc in Finance	University of Stirling	ii	1*	
MSc in International Accounting and Finance (where candidates hold modules as recommended by the <i>firm</i>)	University of Stirling	ii	1*	
MSc in Investment Analysis	University of Stirling	ii	1*	
ACI Dealing Certificate	ACI	ii	2	
ACI Diploma	ACI	ii	2	
ACI Fellowship	ACI	ii	2	
Secondary Examination	Analyst Association of Japan	ii	2	
Certified International Wealth Manager	Association of International Wealth Management	ii	2	
NZX Diploma (where candidates hold elective modules as recommended by the <i>firm</i>)	Australian Securities Institute	ii	2	
Certificate: Banking	Banking Sector Education and Training Authority	ii	2	
Diploma	Association of Belgian Financial Analysts	ii	2	
Canadian Securities course plus Conduct and Practices Handbook	Canadian Securities Institute	ii	2	
Chartered Financial Analyst	CFA Institute	i	2	
Chartered Financial Analyst	CFA Institute	ii	2	
Investment Practice version of the Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals / Institute of Investment Management and Research)	ii	2	31/12/2012
Securities Institute Level 3 Certificate in Investments (Investment Management) – Unit 5	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	2	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities) plus Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	2	31/12/2012
Certificate: Banking	Damelin	ii	2	

Qualification	Qualification Provider	Status	Key	Valid until where applicable
Certificate: Bank Credit	Damelin	ii	2	
Bachelor of Commerce: Banking Management	Damelin	ii	2	
Certified European Financial Analyst	EFFAS Societies with accredited examinations	ii	2	
Series 7 – General Securities Representative Examination	Financial Industry Regulatory Authority (FINRA) – Formerly the National Association of Securities Dealers (NASD)	ii	2	
Certificate in Financial Markets	Financial Services Institute of Australasia (Formerly the Securities Institute of Australia)	ii	2	
Diploma of Financial Markets	Financial Services Institute of Australasia (Formerly the Securities Institute of Australia)	ii	2	
Examination	French Society of Investment Analysts	ii	2	
Hong Kong Securities Institute Certificate	Hong Kong Securities Institute	Ii	2	
ISE Certificate in Stockbroking	The Institute of Bankers in Ireland	ii	2	
Registered Representative Examination	Irish Stock Exchange / Dublin City University	ii	2	
Registered Stock Broker	The Irish Stock Exchange	ii	2	
Promotore Finanziario Examination	Italian Exchange	ii	2	
Registered Representative of Public Securities Examination (pre-April 1990)	Japanese Bankers Association	ii	2	
Representative of Public Securities Qualification – Class 1	Japanese Bankers Association	ii	2	
Representative of Public Securities Examination (pre- April 1990)	Japanese Securities Dealers Association	ii	2	
Representative of Public Securities Qualification – Type 1	Japanese Securities Dealers Association	ii	2	
Membership Examination	Johannesburg Stock Exchange	ii	2	
Trainee Dealers Representative Examination	Kuala Lumpur Stock Exchange	ii	2	
Elementary, Intermediate and International Capital Markets course	Korea Securities Trading Institute	ii	2	
Certificate	New Zealand Stock Exchange	ii	2	
Examination	NIBE SVV The Dutch Institute for the Banking, Insurance and Stockbroking Industry	ii	2	
International Capital Markets Qualification (including the Fixed Interest and Bond Markets Module)	Securities Institute/ South African Institute of Financial Markets	ii	2	
Dealers Representative Examinations	Singapore Exchange	ii	2	
Diploma: Treasury: International Banking	South African Banking Sector Education and Training Authority	ii	2	
Ordinary and Senior Certificates	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Agricultural	South African Institute of Financial Markets	ii	2	

Qualification	Qualification Provider	Status	Key	Valid until where applicable
Products				
Registered Persons Exam: Specialisation in the Bond Market (Compliance)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Bond Market (Trader)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Equity Market	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Foreign Exchange Market	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Money Market	South African Institute of Financial Markets	ii	2	
National Certificate: Wealth Management	South African Insurance Sector Education and Training Authority	ii	2	
Bachelor of Business Science: Actuarial Science	University of Cape Town	ii	2	
Bachelor of Business Science: Management Studies	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Analysis and Portfolio Management	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Management	University of Cape Town	ii	2	
Professional Certificate in Stockbroking	University College Dublin (UCD) / The Institute of Bankers School of Professional Finance	ii	2	
Bachelor of Commerce: Agricultural Economics	University of the Free State	ii	2	
Bachelor of Commerce: Banking	University of the Free State	ii	2	
Bachelor of Commerce: General Management	University of the Free State	ii	2	
Bachelor of Commerce: Risk Management	University of the Free State	ii	2	
Bachelor of Commerce: Investment Management	University of Pretoria	ii	2	
Bachelor of Commerce: Banking	University of Pretoria	ii	2	
Bachelor of Commerce: Agribusiness Management	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Banking	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Financial Management Sciences	University of Pretoria	ii	2	

Qualification	Qualification Provider	Status	Key	Valid until where applicable
Bachelor of Banking	University of South Africa	ii	2	
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	31/12/2012
Securities and Investment Institute – Unit 1 Financial Regulation – (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification – Regulatory Environment Module)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	i	3	31/12/2012
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities and Investment (Formerly the Securities and Investment Institute)	ii	3	

Table 3 Advising on (but not dealing in) Derivatives

Activity Number in TC Appendix 1.1.1 R - 3

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification gap fill is attained within the relevant time limits

Syllabus

- (i) Post 2010 reformed Appropriate Exam standards version as revised;
- (ii) Pre 2010 reformed Appropriate Exam standards version.

Qualification	Qualification Provider	Status	Key	Valid until
Fellow by examination	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/Institute of Investment Management and Research)	ii	1*	
Certificate in Private Client Investment	The Chartered Institute for Securities & Investment (CISI)	ii	1*	

Advice and Management				
Certificate in Private Client Investment Advice and Management (attained through a CISI competency interview and presentation only)	The Chartered Institute for Securities & Investment (CISI)	ii	1*	
Investment Advice Certificate	The Chartered Institute for Securities and Investment (Formerly the Securities & Investment Institute)	ii	1	
Securities Institute Level 3 Certificate in Investments (Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
SFA Securities Representative plus Financial Derivatives Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
Investment Advice Diploma	The Chartered Institute for Securities & Investment	i	1	
Masters in Wealth Management	The Chartered Institute for Securities & Investment	i	1	
Advanced Financial Planning Certificate (must include a pass in G70 paper)	Chartered Insurance Institute	ii	1	
Associate or Fellow (life and pensions route only)	Chartered Insurance Institute	ii	1	
Fellow or Associate	Faculty or Institute of Actuaries	i	1	
BA (Hons) Financial Services, Planning and Management	Manchester Metropolitan University	i	1	
TSA Registered Representative Examinations	The Securities Association	ii	1*	
BA in Finance and Accounting	University of Stirling	ii	1*	
ACI Dealing Certificate	ACI	ii	2	
ACI Diploma	ACI	ii	2	
ACI Fellowship	ACI	ii	2	
Secondary Examination	Analyst Association of Japan	ii	2	
Certified International Wealth Manager	Association of International Wealth Managers	i	2	
NZX Diploma (where candidates hold elective modules as recommended by the <i>firm</i>)	Australian Securities Institute	ii	2	
Derivatives Fundamentals course and Futures / Options Licensing course	Canadian Securities Institute	ii	2	
Chartered Financial Analyst	CFA Institute	ii	2	
Investment Practice paper of the	CFA Society UK (Formerly United Kingdom Society of Investment	ii	2	31/12/2012

Investment Management Certificate	Professionals/Institute of Investment Management and Research)			
Certificate in Investment Manager – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	2	
Securities Institute Level 3 Certificate in Investments (Investment Management) – Unit 5	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	2	31/12/2012
Certificate: Banking	Damelin	ii	2	
Certificate: Bank Credit	Damelin	ii	2	
Bachelor of Commerce: Banking Management	Damelin	ii	2	
Diploma including passes in both the Australian Futures Trading and Options papers	Financial Services Institute for Australasia (Formerly the Securities Institute of Australia)	ii	2	
Hong Kong Securities Institute Certificate	Hong Kong Securities Institute	ii	2	
Registered Representative of Public Securities Examination (pre April 1990)	Japanese Bankers Association	ii	2	
Representative of Public Securities Qualification – Class 1	Japanese Bankers Association	ii	2	
Representative of Public Securities Examination (pre April 1990)	Japanese Securities Dealers Association	ii	2	
Representative of Public Securities Qualification – Type 1	Japanese Securities Dealers Association	ii	2	
Series 3 – Futures Representative Examination	National Futures Association	ii	2	
Examination	NIBE SVV the Dutch Institute for Banking, Insurance and Stockbroking Industry	ii	2	
Examination	Norwegian Society of Financial Analysts	ii	2	
International Capital Markets Qualification (ICMQ) including a pass in Futures, Options and other Derivative Products paper	Securities Institute/South African Institute of Financial Markets	ii	2	
Singapore Exchange Futures Trading Test	Singapore Institute of Banking and Finance	ii	2	
Certificate: Banking	South African Banking Sector Education and Training Authority	ii	2	
National Certificate: Wealth Management	South African Banking Sector Education and Training Authority	ii		
Diploma: Treasury: International Banking	South African Banking Sector Education and Training Authority	ii	2	
Ordinary and Senior Certificates	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Agricultural Products	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the currency derivatives market (advice)	South African Institute of Financial Markets	ii	2	

Registered Persons Exam: Specialisation in the currency derivatives market (trader)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Futures Market	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Yield-X Currency Derivatives Markets	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Yield-X Interest Rate Derivatives Market	South African Institute of Financial Markets	ii	2	
Registered Representative Examination	Sydney Futures Exchange	ii	2	
Bachelor of Business Science: Actuarial Science	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Analysis and Portfolio Management	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Management	University of Cape Town	ii	2	
MA in Finance and Investment	University of Exeter	ii	2	
Bachelor of Commerce: Banking	University of the Free State	ii	2	
Bachelor of Commerce: Risk Management	University of the Free State	ii	2	
Bachelor of Commerce: Agribusiness Management	University of Pretoria	ii	2	
Bachelor of Commerce: Banking	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Banking	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Financial Management Sciences	University of Pretoria	ii	2	
Bachelor of Commerce: Investment Management	University of Pretoria	ii	2	
MSc in Finance	University of Stirling	ii	2	
MSc in International Accounting and Finance (where candidates hold modules as recommended by the <i>firm</i>)	University of Stirling	ii	2	
MSc in Investment Analysis	University of Stirling	ii	2	
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	
Investment Administration Qualification – IMRO Regulatory Environment module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – SFA Regulatory Environment module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – Unit 2 FSA Regulatory Environment	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012

(Formerly the Investment Administration Qualification – Regulatory Environment module)				
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	
Securities & Investment Institute – Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012

Table 4 Advising on Packaged Products (which are not broker funds)

Activity Number in TC Appendix 1.1.1 R - 4

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification gap fill is attained within the relevant time limits

Syllabus

- (i) Post 2010 reformed Appropriate Exam standards version as revised;
- (ii) Pre reformed Appropriate Exam standards version

Qualification	Qualification Provider	Status	Key	Valid until
Certificate in Investment and Financial Practice	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Investment Advice Diploma	The Chartered Institute for Securities & Investment	i	1	
Masters in Wealth Management	The Chartered Institute for Securities & Investment	i	1	
Financial Planning Certificate (No new registrations after 17/12/2004)	Chartered Insurance Institute	ii	1	31/12/2012
Diploma in Regulated Financial Planning (attained through a CII alternative assessment day)	Chartered Insurance Institute (CII)	i	1	
Certificate for Financial Advisers (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly Chartered Institute of Bankers)	ii	1	31/12/2012
Professional Certificate in Banking (PCertB)	<i>ifs</i> School of Finance	i	1	
Fellow or Associate	Faculty or Institute of Actuaries	ii	1*	
BA (Hons) Financial Services,	Manchester Metropolitan University	i	1	

Planning and Management				
BA Financial Services Management	Napier University	ii	1*	
MA in Finance and Investment	University of Exeter	ii	1*	
BA in Finance	University of Stirling	ii	1*	
BA in Finance and Accounting	University of Stirling	ii	1*	
Certificate: Banking	Damelin	ii	2	
Associate Financial Planner	Financial Planning Institute of South Africa	ii	2	
Certified Financial Planner	Financial Planning Institute of South Africa	ii	2	
Registered Financial Planner	Financial Planning Institute of South Africa	ii	2	
Bridge Examination in Pensions for Registered Stockbrokers / representatives	The Institute of Bankers in Ireland	ii	2	
ISE Certificate in Stockbroking (where candidates also hold the Professional Certificate in Pensions)	The Institute of Bankers in Ireland	ii	2	
Registered Stock Broker (where candidates also hold the Professional Certificate in Pensions)	The Institute of Bankers in Ireland	ii	2	
Qualified Financial Adviser (QFA) Diploma where candidates are also currently designated a Qualified Financial Adviser	The Institute of Bankers in Ireland / LIA / III	ii	2	
Certificate: Financial Planning	Insurance Sector Education and Training Authority	ii	2	31/12/2012
National Certificate: Wealth Management	Insurance Sector Education and Training Authority	ii	2	
Advanced Diploma of Financial Services (Financial Planning)	RG 146 Training Australia Pty Ltd	li	2	
Certificate: Banking	South African Banking Sector Education and Training Authority	ii	2	31/12/2012
Bachelor of Commerce Honours: Financial Management	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Analysis and Portfolio Management	University of Cape Town	ii	2	
Professional Diploma in Financial Advice where candidates are also currently designated as a Qualified Financial Adviser)	University College Dublin (UCD) / The Institute of Bankers School of Professional Finance	ii	2	
Advanced Post Graduate Diploma: Financial Planning	University of the Free State	ii	2	
Bachelor of Commerce: General Management	University of the Free State	ii	2	
Bachelor of Management Leadership	University of the Free State	ii	2	
Post Graduate Diploma: Financial Planning	University of the Free State	ii	2	

Bachelor of Commerce: Banking	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Banking	University of Pretoria	ii	2	
Bachelor of Banking	University of South Africa	ii	2	
Diploma: Banking	University of South Africa	ii	2	
Certificate in Investment Planning Paper 1 (Pre 31/10/2004)	Chartered Institute of Bankers in Scotland	ii	3	31/12/2012
Certificate in Investment and Financial Advice – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Advice Certificate Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	ii	3	31/12/2012
Certificate for Financial Advisers Paper 1 (Pre 31/10/2004)	ifsSchool of Finance (Formerly the Chartered Institute of Bankers)	ii	3	31/12/2012
Certificate in Mortgage Advice and Practice (CeMAP) – Paper 1 (Pre 31/10/2004)	ifs School of Finance (Formerly the Chartered Institute of Bankers)	ii	3	31/12/2012

Table 6 *Advising on Long-term care insurance contracts*

Activity Number in TC Appendix 1.1.1 R - 8

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification gap fill is attained within the relevant time limits

Qualification	Qualification Provider	Key
G80 paper of Advanced Financial Planning Certificate (October 2004 exam only) plus appropriate exam requirements for TC 2.1.4R(1)(f)	Chartered Insurance Institute	1
National Diploma: Financial Services: Long-Term Risk Assessment	Insurance Sector Education and Training Authority	2

Table 7 *Advising on investments in the course of corporate finance business*

Activity Number in TC Appendix 1.1.1 R - 7

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification gap fill is attained within the relevant time limits

Syllabus

- (i) Post 2010 reformed Appropriate Exam standards version as revised;
- (ii) Pre 2010 reformed Appropriate Exam standards

Qualification	Qualification Provider	Key
Bachelor of Commerce Honours: Financial Management Sciences	University of Pretoria	2
MSc in International Accounting and Finance (where candidates hold modules as recommended by the <i>firm</i>)	University of Stirling	2

Table 10 **Advising on, and dealing in *Securities* (which are not *stakeholder pension schemes* or *broker funds*)**

Activity Number in TC Appendix 1.1.1 R - 12

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification and gap fill are attained within the relevant time limits

Syllabus

- (i) Post 2010 reformed Appropriate Exam standards version as revised;
- (ii) Pre 2010 reformed Appropriate Exam standards version

Qualification	Qualification Provider	Status	Key	Valid until
Fellow by examination	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/Institute of Investment Management and Research)	ii	1*	
Masters in Wealth Management	The Chartered Institute for Securities & Investment	i	1	
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
SFA Securities Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
Advanced Financial Planning Certificate (must include a pass in G70 paper)	Chartered Insurance Institute	ii	1*	
Associateship (must include a pass in the Investment Paper)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	ii	1*	
BA (Hons) Financial Services, Planning and Management	Manchester Metropolitan University	i	1	
TSA Registered Representative Examinations	The Securities Association	ii	1*	
MA in Finance	University of Exeter	ii	1*	
BA in Finance	University of Stirling	ii	1*	
BA in Finance and Accounting	University of Stirling	ii	1*	
MSc in Investment Analysis	University of Stirling	ii	1*	
MSc in Finance	University of Stirling	ii	1*	
ACI Dealing Certificate	ACI	ii	2	
ACI Diploma	ACI	ii	2	
ACI Fellowship	ACI	ii	2	
Secondary Examination	Analyst Association of Japan	ii	2	
Diploma	Association of Belgian Financial Analysts	ii	2	
Certified International Wealth Manager	Association of International Wealth Managers	i	2	
NZX Diploma (where candidates hold elective modules as recommended by the <i>firm</i>)	The Australian Securities Institute	ii	2	
Canadian Securities Course plus	Canadian Securities Institute	ii	2	

Conduct and Practices Handbook				
Chartered Financial Analyst	CFA Institute	ii	2	
Certificate: Banking	Damelin	ii	2	
Certificate: Bank Credit	Damelin	ii	2	
Certified European Financial Analyst	EFFAS Societies with accredited examinations	ii	2	
Series 7 – General Securities Representatives Examination	Financial Industry Regulatory Authority (FINRA) – Formerly the National Association of Securities Dealers (NASD)	ii	2	
Certificate in Financial Markets	Financial Services Institute of Australasia (Formerly the Securities Institute of Australia)	ii	2	
Diploma of Financial Markets	Financial Services Institute of Australasia (Formerly the Securities Institute of Australia)	ii	2	
Examination	French Society of Investment Analysts	ii	2	
Hong Kong Securities Institute Certificate	Hong Kong Securities Institute	ii	2	
General Certificate Programme	ICMA Centre / University of Reading (Formerly ISMA Centre / University of Reading)	ii	2	
Registered Stockbroker	The Institute of Bankers in Ireland	ii	2	
ISE Certificate in Stock broking	The Institute of Bankers in Ireland	ii	2	
National Certificate: Wealth Management	Insurance Sector Education and Training Authority	ii	2	
Irish Registered Representative Examination	Irish Stock Exchange/ Dublin City University	ii	2	
Promotore Finanziario Examination	Italian Exchange	ii	2	
Registered Representative of Public Securities Examination (pre April 1990)	Japanese Bankers Association	ii	2	
Representative of Public Securities Qualification – Class 1	Japanese Bankers Association	ii	2	
Registered Representative of Public Securities Examination (pre April 1990)	Japanese Securities Dealers Association	ii	2	
Representative of Public Securities Qualification – Type 1	Japanese Securities Dealers Association	ii	2	
Membership Examinations	Johannesburg Stock Exchange	ii	2	
Elementary, Intermediate and International Capital Markets Courses	Korea Securities Training	ii	2	
Trainee Dealers Representative Examination	Kuala Lumpur Stock Exchange	ii	2	
Certificate	New Zealand Stock Exchange	ii	2	
Examination	NIBE SVV the Dutch Institute for the Banking, Insurance and Stockbroking Industry	ii	2	
International Capital Markets Qualification (inclusive of the Fixed Interest and Bond Markets Module)	Securities Institute/ South African Institute of Financial Markets	ii	2	
Dealers Representative Examination	Singapore Exchange	ii	2	
Certificate: Banking	South African Banking Sector Education and Training Authority	ii	2	

Diploma: Treasury: International Banking	South African Banking Sector Education and Training Authority	ii	2	
Registered Persons Exam: Agricultural Products	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Bond Market (Compliance)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Bond Market (Trader)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Equity Market	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Foreign Exchange Market	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Money Market	South African Institute of Financial Markets	ii	2	
Ordinary and Senior Certificates	South African Institute of Financial Markets	ii	2	
Diploma	The Swiss Stock Exchange	ii	2	
Bachelor of Business Science: Actuarial Science	University of Cape Town	ii	2	
Bachelor of Business Science: Management Studies	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Analysis and Portfolio Management	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Management	University of Cape Town	ii	2	
Professional Certificate in Stockbroking	University College Dublin (UCD) / The Institute of Bankers School of Professional Finance	ii	2	
Bachelor of Commerce: Agricultural Economics	University of the Free State	ii	2	
Bachelor of Commerce: Banking	University of the Free State	ii	2	
Bachelor of Commerce: General Management	University of the Free State	ii	2	
Bachelor of Commerce: Risk Management	University of the Free State	ii	2	
Bachelor of Commerce: Investment Management	University of Pretoria	ii	2	
Bachelor of Commerce: Banking	University of Pretoria	ii	2	
Bachelor of Commerce: Agribusiness Management	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Banking	University of Pretoria	ii	2	

Bachelor of Commerce Honours: Financial Management Sciences	University of Pretoria	ii	2	
Bachelor of Banking	University of South Africa	ii	2	
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification Regulatory Environment Module)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Securities & Investment Institute – Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	

Table 11 Advising on and dealing with or for clients in Derivatives

Activity Number in TC Appendix .1.1.1 R - 13

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

* = Full qualification requirement includes completion of qualification gap fill and is only valid if the qualification and gap fill are attained within the relevant time limits

Syllabus

- (i) Post 2010 reformed Appropriate Exam standards version as revised;
- (ii) Pre 2010 reformed Appropriate Exam standards version

Qualification	Qualification Provider	Status	Key	Valid until
Fellow by examination	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/Institute of Investment Management and Research)	ii	1*	
Associateship – must include a pass in the Investment Paper	Chartered Institute of Bankers in Scotland	ii	1*	

Certificate in Private Client Investment Advice and Management	The Chartered Institute for Securities & Investment	ii	1*	
Certificate in Private Client Investment Advice and Management (attained through a CISI competency interview and presentation only)	The Chartered Institute for Securities & Investment	ii	1*	
Investment Advice Diploma	The Chartered Institute for Securities & Investment	i	1	
Securities Institute Level 3 Certificate in Investments (Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1	31/12/2012
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
SFA Securities Representative Examination plus Financial Derivatives Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	1*	
Advanced Financial Planning Certificate (must include a pass in G70 paper)	Chartered Insurance Institute	ii	1*	
Associateship – (must include a pass in the Investment Paper)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	ii	1*	
Associateship – (must include a pass in the Investment Management Paper)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	ii	1*	
BA (Hons) Financial Services, Planning and Management	Manchester Metropolitan University	i	1	
TSA Registered Representative Examination	The Securities Association	ii	1*	
MA in Finance	University of Exeter	ii	1*	
BA in Finance and Accounting	University of Stirling	ii	1*	
MSc in Finance	University of Stirling	ii	1*	
MSc in International Accounting and Finance (where candidates hold modules as recommended by the <i>firm</i>)	University of Stirling	ii	1*	
MSc in Investment Analysis	University of Stirling	ii	1*	
ACI Dealing Certificate	ACI	ii	2	
ACI Diploma	ACI	ii	2	

ACI Fellowship	ACI	ii	2	
Secondary Examination	Analyst Association of Japan	ii	2	
Certified International Wealth Manager	Association of International Wealth Managers	i	2	
NZX Diploma (where candidates hold elective modules as recommended by the firm)	The Australian Securities Institute	ii	2	
Derivatives Fundamentals Course and Futures/Options Licensing Course	Canadian Securities Institute	ii	2	
Chartered Financial Analyst	CFA Institute	ii	2	
Financial Derivatives paper of Diploma	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	2	
Financial Futures and Options paper of the Diploma	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	2	
Certificate: Banking	Damelin	ii	2	
Certificate: Bank Credit	Damelin	ii	2	
Diploma including passes in both the Australian Futures Trading and Options Trading papers	Financial Services Institute of Australasia (Formerly the Securities Institute of Australia)	ii	2	
Hong Kong Securities Institute Certificate	Hong Kong Securities Institute	ii	2	
National Certificate: Wealth Management	Insurance Sector Education and Training Authority	ii	2	
Registered Representative of Public Securities Examination (pre April 1990)	Japanese Bankers Association	ii	2	
Representative of Public Securities Qualifications – Class 1	Japanese Bankers Association	ii	2	
Representative of Public Securities Examination (pre April 1990)	Japanese Securities Dealers Association	ii	2	
Representative of Public Securities Qualifications – Type 1	Japanese Securities Dealers Association	ii	2	
Series 3 National Commodities Futures Examination	National Futures Association	ii	2	
Examination	NIBE SVV the Dutch Institute for the Banking, Insurance and Stockbroking Industry	ii	2	
Examination	Norwegian Society of Financial Analysts	ii	2	
Certificate: Banking	South African Banking Sector Education and Training Authority	ii	2	
Diploma: Treasury: International Banking	South African Banking Sector Education and Training Authority	ii	2	
International Capital Markets Qualification (ICMQ) including pass in Futures, Options and other Derivative Products	Securities Institute/ South African Institute of Financial Markets	ii	2	
Singapore Exchange Futures Trading	Singapore Institute of Banking and Finance	ii	2	

Test				
Ordinary and Senior Certificates	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Agricultural Products	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the currency derivatives market (advice)	South Africa Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the currency derivatives market (trader)	South African Institute of Financial Markets	ii	2	
Registered Persons Exam: Specialisation in the Futures Market	South African Institute of Financial Markets	ii	2	
Registered Representatives Examination	Sydney Futures Exchange	ii	2	
Bachelor of Business Science: Actuarial Science	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Analysis and Portfolio Management	University of Cape Town	ii	2	
Bachelor of Commerce Honours: Financial Management	University of Cape Town	ii	2	
Bachelor of Commerce: Banking	University of the Free State	ii	2	
Bachelor of Commerce: Risk Management	University of the Free State	ii	2	
Bachelor of Commerce: Investment Management	University of Pretoria	ii	2	
Bachelor of Commerce: Banking	University of Pretoria	ii	2	
Bachelor of Commerce: Agribusiness Management	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Banking	University of Pretoria	ii	2	
Bachelor of Commerce Honours: Financial Management Sciences	University of Pretoria	ii	2	
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
Investment Administration Qualification – Unit 2 FSA Regulatory Environment (Formerly the	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	i	3	31/12/2012

Investment Administration Qualification – Regulatory Environment Module)				
Securities & Investment Institute – Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	31/12/2012
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	ii	3	

Table 12 Managing investments or Acting as a *Broker fund adviser*

Activity Number in TC Appendix 1.1.1 R – 14 and 10

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Fellow by examination	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	1
Certificate in Private Client Investment Advice and Management	Chartered Institute for Securities & Investment	1*
Certificate in Private Client Investment Advice and Management (attained through a CISI competency interview and presentation only)	The Chartered Institute for Securities & Investment	1*
Investment Advice Certificate	Chartered Institute for Securities & Investment (Formerly the Securities and Investment Institute)	1*
Investment Advice Diploma (where candidates hold technical modules as recommended by the <i>firm</i>)	The Chartered Institute for Securities & Investment	1
Masters in Wealth Management	The Chartered Institute for Securities & Investment	1
Registered Representative Full Membership Exams – where candidates hold all three papers or hold both the Stock Exchange Practice and Technique of Investment Papers	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	1
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	1

Advanced Financial Planning Certificate (must include a pass in G70 paper)	Chartered Insurance Institute	1
Associate – achieved by examination passed after 30 November 2001 (must include a pass in subject 301 – Investment and Asset Management (syllabus in force from 1998))	Faculty or Institute of Actuaries	2
Associate – achieved by examination passed before 1 December 2001 (must include a pass in Subject 301 – Investment and Asset Management (syllabus in force from 1998))	Faculty or Institute of Actuaries	1
Fellow – achieved by examination (must include a pass in subjects 301 and 401 Investment and Asset Management (syllabus in force from 1998))	Faculty or Institute of Actuaries	1
Fellow or Associate by examination (must include Investment Paper E (Syllabus in force until 1998))	Faculty or Institute of Actuaries	1
Certificate in Investment Management (at least 3 papers passed by examination)	Society of Investment Analysts in Ireland	2
Dual degree Executive MBA in Asset and Wealth Management	Swiss Finance Institute	2
MA in Finance	University of Exeter	1
MSc in International Accounting (where candidates hold modules as recommended by the <i>firm</i>)	University of Stirling	1
MSc in Investment Analysis	University of Stirling	1
Certified International Wealth Manager	Association of International Wealth Managers	2
NZX Diploma (where candidates hold elective modules as recommended by the <i>firm</i>)	Australian Securities Institute	2
Certificate in Investment Management – paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	2
Securities Institute Level 3 Certificate in Investments (Investment Management) – unit 5	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	2
Chartered Financial Analyst (Level 1)	CFA Institute	2
Investment Management Asset	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment	2

Allocation Qualification	Management and Research)	
Investment Practice Version of Investment Management Certificate (both pre and post 2010 reformed Appropriate Exam standards versions)	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	2
Certified European Financial Analyst	EFFAS Societies with accredited examinations	2
Chartered Member	Securities Analysts Association of Japan	2
Ordinary and Senior Certificates	South African Institute of Financial Markets	2
Bachelor of Commerce: Investment Management	University of Pretoria	2
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification – Regulatory Environment Module)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3

Table 13 Overseeing on a day to day basis operating a *collective investment scheme* or undertaking activities of a *trustee* or *depository* of a *collective investment scheme*

Activity Number in TC Appendix 1.1.1 R – 15

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Member	Association of Accounting Technicians	4

Fellow or Associate	Association of Chartered Certified Accountants	4
Fellow or Associate	Association of Corporate Treasurers	4
Fellow or Associate	Chartered Institute of Bankers in Ireland	4
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	4
Fellow, Member or Associate	Chartered Institute of Bankers in Scotland	4
Fellow or Associate	Chartered Institute of Management Accountants	4
Fellow or Associate	Chartered Institute of Public Finance and Accountancy	4
Fellow or Associate by examination	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Certificate in Corporate Finance	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Derivatives – Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Securities – Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Securities and Financial Derivatives – Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Client Services Qualification	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma International Operations Management module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma Operations Management module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Member of the Securities Institute by examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives) – Unit 4	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities) – Unit 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Corporate Finance	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4

Representative Examination		
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Securities Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	4
Fellow or Associate	Chartered Insurance Institute	4
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	4
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	Institute of Chartered Accountants in England and Wales	4
Fellow or Associate	Institute of Chartered Accountants in Ireland	4
Member	Institute of Chartered Accountants in Scotland	4
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	4
Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	4
Fellow or Associate	Institute of Chartered Secretaries and Administrators	4
Solicitor	Law Society of England and Wales/ Law Society of Northern Ireland	4
TSA Registered Representative Examination	The Securities Association	4
Fellow or Associate	Pensions Management Institute	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Investment Regulation and Practice Paper of the Associate Examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
UK Regulation and Markets version of the Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	5
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma – International Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5

Diploma Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma Regulation and Compliance Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Advice Certificate Paper 1	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Securities & Investment Institute – Unit 1 Financial Regulation – (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	5
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	5
Certificate for Financial Advisers Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	5
Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	5
TSA Registered Representative Examination	The Securities Association	5
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Diploma International Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Diploma Operations Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6

Module		
Investment Administration Qualification – Asset Servicing Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Basics of CREST Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Bond Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification CREST Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Derivatives Operations Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Exchange –Traded Derivative Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Global Custody Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Global Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – ISA Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – ISA and PEP Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification OEIC Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Operational Risk Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – OTC Derivatives Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification PEP Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Portfolio Performance Measurement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6

Investment Administration Qualification – Private Client Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Unit Trust Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	6
Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	6
Investment Administration Management Award	Investment Management Association	6
In house module (only where the firm can demonstrate that none of the listed examinations is appropriate)		6

Table 14 **Overseeing on a day to day basis safeguarding and administering investments or holding client money**

Activity Number in TC Appendix 1.1.1 R - 16

Key

- 1 = Full qualification requirement
2+3 = Full qualification requirement
4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Member	Association of Accounting Technicians	4
Fellow or Associate	Association of Chartered Certified Accountants	4
Fellow or Associate	Association of Corporate Treasurers	4
Fellow or Associate by examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Fellow or Associate	Chartered Institute of Bankers in Ireland	4
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	4
Fellow or Associate	Chartered Institute of Management Accountants	4
Fellow or Associate	Chartered Institute of Public Finance and Accountancy	4

Diploma	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Corporate Finance	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Derivatives –Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Securities – Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Certificate in Securities and Financial Derivatives – Paper 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Client Services Qualification	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma International Operations Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Diploma Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Membership of the Securities Institute by examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities) – Unit 2	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives) – Unit 4	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Corporate Finance Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
SFA Securities Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	4
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	4
Fellow or Associate	Chartered Insurance Institute	4
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	4
Fellow or Associate	Faculty or Institute of Actuaries	4
Certificate for Financial Advisers	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4

Paper 1 (Pre 31/10/2004)		
Fellow or Associate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	Institute of Chartered Accountants in England and Wales	4
Fellow or Associate	Institute of Chartered Accountants in Ireland	4
Member	Institute of Chartered Accountants in Scotland	4
Fellow, Member or Associate	Chartered Institute of Bankers in Scotland	4
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	4
Certificate in Company Secretarial Practice and Share Registration Practice (including Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	4
Fellow or Associate	Institute of Chartered Secretaries and Administrators	4
Fellow or Associate	Pensions Management Institute	4
TSA Registered Representative Examination	The Securities Association	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Investment Regulation and Practice Paper of the Associate Examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
UK Regulation and Markets version of the Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	5
Certificate in Investment Management	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma International Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Diploma Regulation and Compliance Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Securities & Investment Institute –	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5

Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)		
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Securities Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	5
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	5
Financial Planning Certificate Paper 1	Chartered Insurance Institute	5
Certificate for Financial Advisers – Paper 1 pre 31/10/2004	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	5
Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	5
TSA Registered Representative Examinations	The Securities Association	5
Diploma International Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Diploma Operations Management Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Asset Servicing Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Basics of CREST Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Bond Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification CREST Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6

Qualification Derivatives Operations Module		
Investment Administration Qualification – Exchange-Traded Derivative Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Global Custody Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Global Settlement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – ISA Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – ISA and PEP Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification OEIC Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Operational Risk Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – OTC Derivatives Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification PEP Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Portfolio Performance Measurement Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification Unit Trust Administration Module	The Chartered Institute for Securities & Investments (Formerly the Securities & Investment Institute)	6
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	6
Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	6
Investment Administration Management Award	Investment Management Association	6
In-house module (only where the firm can demonstrate that none of the listed examinations are appropriate)		6

Table 15 **Overseeing on a day to day basis administrative functions in relation to managing *investments***

- (i) arranging settlement;
- (ii) monitoring and processing corporate actions;
- (iii) client account administration, liaison and reporting including valuation and performance measurement;
- (iv) ISA, PEP or CTF administration;
- (v) Investment trust savings scheme administration.

Activity Number in TC Appendix 1.1.1 R - 17

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Member	Association of Accounting Technicians	4
Fellow or Associate	Association of Chartered Certified Accountants	4
Fellow or Associate	Association of Corporate Treasurers	4
Fellow or Associate by examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Fellow or Associate	Chartered Institute of Bankers in Ireland	4
Certificate in Investment Planning	Chartered Institute of Bankers in Scotland	4
Fellow, Member or Associate	Chartered Institute of Bankers in Scotland	4
Fellow or Associate	Chartered Institute of Management Accountants	4
Fellow or Associate	Chartered Institute of Public Finance and Accountancy	4
Certificate in Corporate Finance	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities and Financial Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Client Services Qualification	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Global Operations	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4

Management Module		
Diploma – International Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Member of the Securities Institute by examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities) – Unit 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives) – Unit 4	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Corporate Finance Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	4
Fellow or Associate	Chartered Insurance Institute	4
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	4
Fellow or Associate	Faculty or Institute of Actuaries	4
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	Institute of Chartered Accountants in England and Wales	4
Fellow or Associate	Institute of Chartered Accountants in Ireland	4
Member	Institute of Chartered Accountants in Scotland	4
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	4
Certificate in Company Secretarial Practice and Share Registration	Institute of Chartered Secretaries and Administrators	4

(including the Regulatory module within the examination)		
Fellow or Associate	Institute of Chartered Secretaries and Administrators	4
Solicitor	Law Society of England and Wales/ Law Society of Scotland/ Law Society of Northern Ireland	4
Fellow or Associate	Pensions Management Institute	4
TSA Registered Representative Examinations	The Securities Association	4
Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Investment Regulation and Practice Paper of the Associate Examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
UK Regulation and Markets version of Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	5
Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Diploma – International Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Diploma – Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Diploma – Regulation and Compliance Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Securities & Investment Institute – Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5

SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
SFA Securities Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	5
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	5
Certificate in Company Secretarial Practice and Share Registration (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	5
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Diploma – International Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Diploma – Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Basics of CREST module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Bond Settlement Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Derivatives Operations Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Exchange-Traded Derivative Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Global Custody Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Global Settlement Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6

Qualification – ISA Administration Module		
Investment Administration Qualification – OEIC Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification –Operational Risk Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification - PEP Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Private Client Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Unit Trust Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Certificate in Company Secretarial Practice and Share Registration (including the Regulatory module within the examination)	Institute of Chartered Secretaries and Administrators	6
Investment Administration Management Award	Investment Management Association	6
In house module (only where the firm can demonstrate that none of the listed examinations is appropriate)		6

Table 16 Carrying out on a day to day basis administrative functions in relation to effecting or carrying out *contracts of insurance which are life policies*:

- (i) new business administration;
- (ii) policy alterations including surrenders and policy loans;
- (iii) preparing projections;
- (iv) processing claims, including pension payments;
- (v) fund switching

Activity Number in TC Appendix 1.1.1 R - 18

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Member	Association of Accounting Technicians	4
Fellow or Associate	Association of Chartered Certified Accountants	4
Fellow or Associate	Association of Corporate Treasurers	4
Fellow or Associate by examination	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Investment Management Certificate	CFA Society UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Fellow or Associate	Chartered Institute of Bankers in Ireland	4
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	4
Fellow, Member or Associate	Chartered Institute of Bankers in Scotland	4
Fellow or Associate	Chartered Institute of Management Accountants	4
Fellow or Associate	Chartered Institute of Public Finance and Accountancy	4
Certificate in Corporate Finance	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities and Financial Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Client Services Qualification	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – International Operations Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Investment Administration Qualification – Introduction to Securities and Investment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Membership of the Securities Institute by examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities) – Unit 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4

Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives) – Unit 4	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Corporate Finance Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	4
Certificate of Insurance Practice	Chartered Insurance Institute	4
Fellow or Associate	Chartered Insurance Institute	4
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	4
Fellow or Associate	Faculty or Institute of Actuaries	4
Certificate for Financial Advisers – Paper 1 (Post 1/11/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	Institute of Chartered Accountants in England and Wales	4
Fellow or Associate	Institute of Chartered Accountants in Ireland	4
Member	Institute of Chartered Accountants in Scotland	4
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	4
Fellow or Associate	Institute of Chartered Secretaries and Administrators	4
Solicitor	Law Society of England and Wales / Law Society of Scotland/ Law Society of Northern Ireland	4
Fellow or Associate	Pensions Management Institute	4
TSA Registered Representative Examinations	The Securities Association	4
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	5
Diploma – Regulation and Compliance Paper	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – SFA Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5

Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification – Regulatory Environment Module)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Principles of Financial Regulation	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Securities & Investment Institute – Unit 1 Financial Regulation – (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	5
Certificate for Financial Advisers – Paper 1 (Post 1/11/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	5
UK Regulation and Markets version of Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	6
Investment Administration Qualification – Life Policy Administration Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Advice Certificate – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Certificate of Insurance Practice (life or pensions route)	Chartered Insurance Institute	6
Fellow or Associate (life and pensions route only)	Chartered Insurance Institute	6
Financial Planning Certificate – Paper 2	Chartered Insurance Institute	6
Life assurance paper (735) from the Associateship	Chartered Insurance Institute	6
Pensions law, taxation and administration paper (740) from the Associateship	Chartered Insurance Institute	6
Fellow or Associate	Faculty or Institute of Actuaries	6
Certificate for Financial Advisers – Paper 2 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	6

Initial Test of Competence	Institute of Chartered Accountants in England and Wales	6
Module B(i), Retail Branded/ Packaged Products	Law Society of England and Wales	6
Fellow or Associate (by examination)	Pensions Management Institute	6
In-house module (only where the firm can demonstrate that none of the listed examinations are appropriate)		6

Table 17 **Overseeing on a day to day basis administrative functions in relation to the operation of stakeholder pension schemes:**

- (i) new business administration;
- (ii) receipt of or alteration to contributions;
- (iii) preparing projections and annual statements;
- (iv) administration of transfers;
- (v) handling claims, including pension payments;
- (vi) fund allocation and switching.

Activity Number in TC Appendix 1.1.1 R - 19

Key

- 1 = Full qualification requirement
2+3 = Full qualification requirement
4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Member	Association of Accounting Technicians	4
Fellow or Associate	Association of Chartered Certified Accountants	4
Fellow or Associate	Association of Corporate Treasurers	4
Fellow or Associate by examination	CFA Society of UK (Formerly the United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Investment Management Certificate	CFA Society of UK (Formerly the United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	4
Fellow or Associate	Chartered Institute of Bankers in Ireland	4
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	4
Fellow, Member or Associate	Chartered Institute of Bankers in Scotland	4
Fellow or Associate	Chartered Institute of Management Accountants	4
Fellow or Associate	Chartered Institute of Public Finance and Accountancy	4
Certificate in Corporate Finance	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4

Certificate in Investment Management	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Certificate in Securities and Derivatives – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Client Services Qualification	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Global Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – International Operations Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Diploma – Operations Management Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Investment Administration Qualification – Introduction to Securities and Investment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Investment Advice Certificate – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Member of the Securities Institute by examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Derivatives) – Unit 3	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Investment Management)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities) – Unit 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
Securities Institute Level 3 Certificate in Investments (Securities & Financial Derivatives) – Unit 4	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Corporate Finance Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Futures and Options Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities and Financial Derivatives Representative Examination	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	4
SFA Securities Representative Examination	SFA Securities Representative Examination	4
Stock Exchange Registered Representative Examination	London Stock Exchange (records are now kept by the Chartered Institute for Securities & Investment; formerly the Securities and Investment Institute)	4
Fellow or Associate	Chartered Insurance Institute	4
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	4
Fellow or Associate	Faculty or Institute of Actuaries	4

Certificate for Financial Advisers – Paper 1 (Post 1/11/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	4
Fellow or Associate	Institute of Chartered Accountants in England and Wales	4
Fellow or Associate	Institute of Chartered Accountants in Ireland	4
Member	Institute of Chartered Accountants in Scotland	4
Certificate in Collective Investment Scheme Administration	Institute of Chartered Secretaries and Administrators	4
Fellow or Associate	Institute of Chartered Secretaries and Administrators	4
Solicitor	Law Society of England and Wales/ Law Society of Scotland/ Law Society of Northern Ireland	4
Fellow or Associate	Pensions Management Institute	4
TSA Registered Representative Examinations	The Securities Association	4
UK Regulation and Markets version of the Investment Management Certificate	CFA Society of UK (Formerly United Kingdom Society of Investment Professionals/ Institute of Investment Management and Research)	5
Certificate in Investment Planning – Paper 1	Chartered Institute of Bankers in Scotland	5
Diploma – Regulation and Compliance module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – IMRO Regulatory Environment Module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Administration Qualification – Unit 2 FSA Regulatory Environment – (Formerly the Investment Administration Qualification – Regulatory Environment module)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Investment Advice Certificate Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Principles of Financial Regulation	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Securities & Investment Institute – Unit 1 Financial Regulation – (Formerly the Securities Institute Regulatory Paper)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
SFA Registered Persons Examination – Section 1 (Regulation)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	5
Financial Planning Certificate – Paper 1	Chartered Insurance Institute	5
Certificate for Financial Advisers Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5
Certificate for Financial Advisers –	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	5

Paper 1 (Post 01/11/2004)		
Investment Advice Certificate – Paper 2	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Investment Administration Qualification – Pensions Administration module	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	6
Certificate of Insurance Practice (Pensions route)	Chartered Insurance Institute	6
Fellow or Associate (Pensions route)	Chartered Insurance Institute	6
Financial Planning Certificate Paper 2	Chartered Insurance Institute	6
Pensions law, taxation and administration paper (740) from the Associateship	Chartered Insurance Institute	6
Associate or Fellow	Faculty or Institute of Actuaries	6
Certificate for Financial Advisers Paper 2 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	6
Initial Test of Competence	Institute of Chartered Accountants in England and Wales	6
Initial Test of Competence	Institute of Chartered Accountants in Ireland	6
Initial Test of Competence	Institute of Chartered Accountants in Scotland	6
Module B(i) Retail Branded/ Packaged Products	Law Society of England and Wales	6
Fellow or Associate (by examination)	Pensions Management Institute	6
In house module (only where the firm can demonstrate that none of the listed examinations is appropriate)		6

Table 18 Advising a customer on a *regulated mortgage contract* (for a non-business purpose)

Activity Number in TC Appendix 1.1.1 R - 20

Key

1 = Full qualification requirement

2+3 = Full qualification requirement

4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
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Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	1
MAPC bridge paper plus entry requirements (Pre 31/10/2004)	Chartered Institute of Bankers in Scotland	1
Mortgage Advice Qualification (MAQ) plus entry requirements	Chartered Insurance Institute	1
Diploma for Mortgage Advice and Practice DipMAP (plus entry requirements)	<i>ifs</i> School of Finance	1
Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
CeMAP Bridge paper plus entry requirements	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
Certificate in Investment Planning – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
MAPC – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
Investment Advice Certificate – Paper 1 (No new registrations)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Financial Planning Certificate – Paper 1 (No registrations after 17/12/2004)	Chartered Insurance Institute	3
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	3
Certificate in Mortgage Advice and Practice (CeMAP) –Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	3

Table 19 **Advising a customer on *Equity release transactions***

Activity Number in TC Appendix 1.1.1 R - 21

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	1

Lifetime Mortgage Advice and Practice Certificate	Chartered Institute of Bankers in Scotland	1
MAPC Bridge paper plus entry requirements (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	1
Mortgage Advice Qualification (MAQ) plus entry requirements	Chartered Insurance Institute	1
CeMAP bridge paper plus entry requirements (Pre 31/19/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
Certificate in Investment Planning – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
Certificate in Mortgage Advice and Practice (MAPC) – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
Certificate in Investment and Financial Advice – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Investment Advice Certificate – Paper 1 (No new registrations)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Certificate in Mortgage Advice – Paper 1	Chartered Insurance Institute	3
Financial Planning Certificate – Paper 1 (No new registrations after 17/12/2004)	Chartered Insurance Institute	3
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	3
Certificate in Mortgage Advice and Practice (CeMAP) – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	3

Table 20 Designing scripted questions for use in sales to customers of *regulated lifetime mortgage contracts which do not involve personal recommendations*

Activity Number in TC Appendix 1.1.1 R - 22

Key

- 1 = Full qualification requirement
- 2+3 = Full qualification requirement
- 4+5+6 = Full qualification requirement

Qualification	Qualification Provider	Key
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Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	1
Lifetime Mortgage Advice and Practice Certificate	Chartered Institute of Bankers in Scotland	1
MAPC bridge paper plus entry requirements (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	1
Mortgage Advice Qualification (MAQ) plus entry requirements	Chartered Insurance Institute	1
Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
CeMAP bridge paper plus entry requirements (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	1
Certificate in Investment Planning – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
Certificate in Mortgage Advice and Practice (MAPC) – Paper 1 (Pre 16/09/2004)	Chartered Institute of Bankers in Scotland	3
Certificate in Investment and Financial Advice – Paper 1	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Investment Advice Certificate – Paper 1 (No new registrations)	The Chartered Institute for Securities & Investment (Formerly the Securities & Investment Institute)	3
Financial Planning Certificate – Paper 1 (No new registrations after 17/12/2004)	Chartered Insurance Institute	3
Certificate for Financial Advisers – Paper 1 (Pre 31/10/2004)	<i>ifs</i> School of Finance (Formerly the Chartered Institute of Bankers)	3

Retail Distribution Review: professionalism notifications (TC)

**RETAIL DISTRIBUTION REVIEW (TRAINING AND COMPETENCE
SOURCEBOOK NOTIFICATIONS) INSTRUMENT []**

Powers exercised

- A. The Financial Services Authority 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 138 (General rule-making power);
 - (b) section 156 (General supplementary powers); and
 - (e) section 157(1) (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 referred to above are specified for the purpose of section 153(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 Retail Distribution Review (Training and Competence Sourcebook Notifications) Instrument [].

By order of the Board
[*date*]

Annex

Amendments to the Training and Competence sourcebook (TC)

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

Notification requirements

- 2.1.14 R A firm must notify the FSA immediately it becomes aware, or has information which reasonably suggests, that any of the following has occurred or may have occurred in relation to any of its retail advisers:
- (1) a retail adviser, who has been assessed as competent for the purposes of TC 2.1.1R, is no longer considered competent for the purposes of TC 2.1.1R;
 - (2) a retail adviser has failed to attain an appropriate qualification within the time limit prescribed by TC 2.2AR(1);
 - (3) a retail adviser has failed to comply with a Statement of Principle in carrying out his controlled function; and
 - (4) a retail adviser has performed an activity in TC Appendix 1 before having demonstrated the necessary competence for the purposes of TC 2.1.1R and without appropriate supervision.
- 2.1.15 G A firm making a notification in accordance with TC 2.1.13AR should also have regard to the provisions in SUP 15.7.

...

Sch 2 Notification requirements

2.1G ~~There are no notification or reporting requirements in TC.~~

<u>Handbook reference</u>	<u>Matter to be notified</u>	<u>Contents of notification</u>	<u>Trigger event</u>	<u>Time allowed</u>
<u>TC 2.1.14R</u>	<u>Notifications - issues relating to the competency and behaviour of retail advisers.</u>	<u>(1) Information about any circumstances relevant to the issue; and</u> <u>(2) information about any steps which a firm has taken or intends to take to rectify the position or prevent any future potential occurrence.</u>	<u>Becoming aware, or having information which reasonably suggests that any of the following has occurred or may occur:</u>	<u>Immediately.</u>

			<p><u>(1) a retail adviser, who has been assessed as competent for the purposes of TC 2.1.1R, is no longer considered competent for the purposes of TC 2.1.1R;</u></p>	
			<p><u>(2) a retail adviser has failed to attain an appropriate qualification within the time limit prescribed by TC 2.2AR(1);</u></p>	
			<p><u>(3) a retail adviser has failed to comply with a Statement of Principle in carrying out his controlled function; and</u></p>	
			<p><u>(4) a retail adviser has performed an activity in TC Appendix 1 before having demonstrated the necessary competence for the purposes of TC 2.1.1R and without appropriate supervision.</u></p>	

Proposed changes to credit and counterparty risk reporting (SUP)

**INTEGRATED REGULATORY REPORTING (AMENDMENT NO X)
INSTRUMENT 2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purposes of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [...] 2010.

Amendments to the Handbook

- D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Integrated Regulatory Reporting (Amendment No X) Instrument 2010.

By order of the Board
[...] 2010

Annex

Amendments to the Supervision manual (SUP)

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

16 Annex 24R Data items for SUP 16.12

see following pages for changes to FSA004 and FSA0045

Breakdown under Advanced IRB

- 28 Total
- 29 Central governments and central banks
- 30 Institutions
- 31 Corporates
- 32 Of which: to corporate SME BIPRU 4.4.59 to BIPRU 4.4.60
- 40 Of which: to specialised lending BIPRU 4.5

Breakdown of other IRB exposure classes

- 33 Total
- 34 Equity claims
- 35 Securitisation positions
- 36 Non-credit obligation assets

FSA045
IRB portfolio risk

Sovereigns Central Government and Central Banks - credit risk

- 1
- 2
- 3
- 4
- 5
- 6

Tick here if you have no exposures in these asset classes
Please indicate whether your PDs are PiT or TTC or Hybrid PiT
Enter number of days in the definition of Default

A

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A 000s	B 000s	C days	D %	E %	F 000s	G 000s
1	0.000%							
2								
3								
4								
5								
6								
7								
...								
n								
5	In default							
6	Total							

Banks Institutions - credit risk

7
8
9
10

Tick here if you have no exposures in these asset classes
Please indicate whether your PDs are PiT or TTC or Hybrid PiT
Enter number of days in the definition of Default

A

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

11
12

Corporates - credit risk

13

Tick here if you have no exposures in these asset classes

14

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

15

Enter number of days in the definition of Default

16

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

17

18

Retail Mortgages

19
20
21
22

Tick here if you have no exposures in these asset classes
Please indicate whether your PDs are PiT or TTC or Hybrid PiT
Enter number of days in the definition of Default

A

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

23
24

25 **QRRE** Tick here if you have no exposures in these asset classes
 26 Please indicate whether your PDs are PiT or TTC or Hybrid PiT
 27 Enter number of days in the definition of Default

A

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound	A	B	C	D	E	F	G
Above %	Up to %	000s	000s	days	%	%	000s	000s
1	0.000%							
2								
3								
4								
5								
6								
7								
...								
n								
29	In default							
30	Total							

Other retail

31

Tick here if you have no exposures in these asset classes

32

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

33

Enter number of days in the definition of Default

34

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

35

36

37
38
39
40

SME retail

Tick here if you have no exposures in these asset classes

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

Enter number of days in the definition of Default

A

	PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
	Lower PD bound	Upper PD bound							
	Above %	Up to %	A 000s	B 000s	C days	D %	E %	F 000s	G 000s
1	0.000%								
2									
3									
4									
5									
6									
7									
...									
n									
	In default								
	Total								

41
42

Central Government and Central Banks - counterparty credit risk

43

Tick here if you have no exposures in these asset classes

A

44

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

45

Enter number of days in the definition of Default

46

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound	A	B	C	D	E	F	G
Above %	Up to %	000s	000s	days	%	%	000s	000s
1	0.000%							
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

47

48

49
50
51
52

Institutions - counterparty credit risk

Tick here if you have no exposures in these asset classes

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

Enter number of days in the definition of Default

A

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
	In default							
	Total							

53
54

Corporates - counterparty credit risk

55

Tick here if you have no exposures in these asset classes

56

Please indicate whether your PDs are PiT or TTC or Hybrid PiT

57

Enter number of days in the definition of Default

58

PD range at reporting date		Gross exposure value	Exposure at default estimate	Maturity	Probability of default	Loss Given Default	Expected Loss	RWEA
Lower PD bound	Upper PD bound							
Above %	Up to %	A	B	C	D	E	F	G
0.000%		000s	000s	days	%	%	000s	000s
1								
2								
3								
4								
5								
6								
7								
...								
n								
In default								
Total								

59

60

16 Annex 25 G Guidance notes for data items in SUP 16 Annex 24R

...

FSA004 – Credit risk

...

Column B

For firms on the standardised approach, this should be calculated as set out in *BIPRU 3* and *BIPRU 5*. It equates to the fully adjusted exposures values (E*) after adjustment to off-balance sheet items under *BIPRU 3.6.1R*.

For firms on an IRB approach, this ~~should be~~ is exposure at default calculated in accordance with *BIPRU 4* and *BIPRU 5* ~~and is the exposure value before the risk weight is applied.~~

Column C

For firms on the IRB approach this should be calculated in accordance with *BIPRU 4.3.6R* excluding any adjustments.

Column D

Firms should report here the amount of any provision/impairment which arises from the individual assessment of a particular asset.

Column E

Firms should report here the amount of any provision/impairment which arises from a review of groups of assets.

Column F

Firms should report here any other credit valuation adjustments for the given exposure class.

Breakdown under the standardised approach to credit risk by exposure classes excluding securitisation positions**1A Total capital requirement**

This is the total capital requirement, being the sum of data elements 2A to 17A and 37A and 38A. This is the same as the capital requirement reported in data element 79A in FSA003.

[CEBS' CR SA column 22]

1B Total exposure value

This is the total exposure value, being the sum of data elements 2B to 17B and 37B and 38B.

1D Total individual impairment

This is the total of individual impairments, being the sum of data elements 2D to 17D and 37D and 38D.

1E Total collective impairments

This is the total collective impairments, being the sum of data elements 2E to 17E and 37E and 38E.

1F Total other (credit valuation adjustment)

This is the total of all other credit valuation adjustments, being the sum of data elements 2F to 17F and 37F and 38F.

...

2D Central government or central banks

This is the provision/impairment which arises from the individual assessment of an asset within the exposure class defined in *BIPRU 3.2.9R(1)*.

2E Central government or central banks

This is the provision/impairment which arises from a review of groups of assets within the exposure class defined in *BIPRU 3.2.9R(1)*.

2F Central government or central banks

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(1)*.

...

3B Regional governments or local authorities

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(2)*.

[CEBS' *CR SA column 20*]

3D Regional government or local authorities

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(2)*.

3E Regional government or local authorities

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(2)*.

3F Regional government or local authorities

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(2)*.

...

4B Administrative bodies and non-commercial undertakings

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R (3)*.

[CEBS' *CR SA column 20*]

4D Administrative bodies and non-commercial undertakings

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(3)*.

4E Administrative bodies and non-commercial undertakings

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(3)*.

4F Administrative bodies and non-commercial undertakings

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(3)*.

...

5B Multilateral development banks

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(4)*.

[CEBS' *CR SA column 20*]

...

5D Multilateral development banks

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(4)*.

5E Multilateral development banks

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(4)*.

5F Multilateral development banks

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(4)*.

...

6B International organisations

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(5)*.

[CEBS' *CR SA column 20*]

6D International organisations

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(5)*.

6E International organisations

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(5)*.

6F International organisations

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(5)*.

...

7B Institutions

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(6)*.

[CEBS' *CR SA column 20*]

7D Institutions

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(6)*.

7E Institutions

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(6)*.

7F Institutions

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(6)*.

...

8B Corporates

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(7)*.

[CEBS' *CR SA column 20*]

8D Corporates

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(7)*.

8E Corporates

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(7)*.

8F Corporates

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(7)*.

...

9B Retail

This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(8)*.

[CEBS' *CR SA column 20*]

9D Retail

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 3.2.9R(8)*.

9E Retail

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 3.2.9R(8)*.

9F Retail

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 3.2.9R(8)*.

10A Secured on real estate property

~~This is the capital requirement, calculated in accordance with *BIPRU 3*, relating to the asset class defined in *BIPRU 3.2.9R(9)*.~~

~~[CEBS' *CR SA column 22*]~~

10B Secured on real estate property

~~This is the exposure value relating to the asset class defined in *BIPRU 3.2.9R(9)*.~~

~~[CEBS' *CR SA column 20*]~~

37A Secured by mortgages on residential property

This is the capital requirement calculated in accordance with *BIPRU* 3 relating to the asset class set out in *BIPRU* 3.4.56R.

37B Secured by mortgages on residential property

This is the exposure value relating to the asset class set out in *BIPRU* 3.4.56R.

37D Secured by mortgages on residential property

This is the provision/impairment which arises from the individual assessment of an asset within the asset class set out in *BIPRU* 3.4.56R.

37E Secured by mortgages on residential property

This is the provision/impairment which arises from a review of groups of assets within the asset class set out in *BIPRU* 3.4.56R.

37F Secured by mortgages on residential property

This is for any other credit valuation adjustments relating to the asset class set out in *BIPRU* 3.4.56R.

38A Secured by mortgages on commercial property

This is the capital requirement calculated in accordance with *BIPRU* 3 relating to the asset class set out in *BIPRU* 3.4.89R.

38B Secured by mortgages on commercial property

This is the exposure value relating to the asset class set out in *BIPRU* 3.4.89R.

38D Secured by mortgages on commercial property

This is the provision/impairment which arises from the individual assessment of an asset within the asset class set out in *BIPRU* 3.4.89R.

38E Secured by mortgages on commercial property

This is the provision/impairment which arises from a review of groups of assets within the asset class set out in *BIPRU* 3.4.89R.

38F Secured by mortgages on commercial property

This is for any other credit valuation adjustments relating to the asset class set out in *BIPRU* 3.4.89R.

...

11B Past due items

This is the exposure value relating to the asset class defined in *BIPRU* 3.2.9R(10).

[CEBS' CR SA column 20]

11D Past due items

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 3.2.9R(10).

11E Past due items

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 3.2.9R(10).

11F Past due items

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 3.2.9R(10).

...

12B Items belonging to regulatory high-risk categories

This is the exposure value relating to the asset class defined in BIPRU 3.2.9R(11).

[CEBS' CR SA column 20]

12D Items belonging to regulatory high-risk categories

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 3.2.9R(11).

12E Items belonging to regulatory high-risk categories

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 3.2.9R(11).

12F Items belonging to regulatory high-risk categories

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 3.2.9R(11).

...

13B Covered bonds

This is the exposure value relating to the asset class defined in BIPRU 3.2.9R(12).

13D Covered bonds

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 3.2.9R(12).

13E Covered bonds

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 3.2.9R(12).

13F Covered bonds

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 3.2.9R(12).

...

14B Securitisation positions

This is the exposure value relating to the asset class defined in *BIPRU* 3.2.9R(13).

[CEBS' *CR SEC SA column 19*]

14D Securitisation positions

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 3.2.9R(13).

14E Securitisation positions

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 3.2.9R(13).

14F Securitisation positions

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 3.2.9R(13).

...

15B Short term claims on institutions and corporates

This is the exposure value relating to the asset class defined in *BIPRU* 3.2.9R(14).

[CEBS' *CR SA column 20*]

15D Short term claims on institutions and corporates

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 3.2.9R(14).

15E Short term claims on institutions and corporates

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 3.2.9R(14).

15F Short term claims on institutions and corporates

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU*

3.2.9R(14).

...

16B Collective investment undertakings

This is the exposure value relating to the asset class defined in BIPRU 3.2.9R(15).

[CEBS' CR SA column 20]

16D Collective investment undertakings

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 3.2.9R(15).

16E Collective investment undertakings

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 3.2.9R(15).

16F Collective investment undertakings

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 3.2.9(15).

...

17B Other items

This is the exposure value relating to the asset class defined in BIPRU 3.2.9R(16).

17D Other items

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 3.2.9R(16).

17E Other items

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 3.2.9R(16).

17F Other items

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 3.2.9R(16).

Breakdown under the foundation IRB approach to credit risk

...

18B Total exposure value

This is the total exposure value, being the sum of 19B to 21B.

18C Total expected loss

This is the total expected loss reported in data elements 19C to 21C.

18D Total individual impairments

This is the total individual impairments, being the sum of data elements 19D to 21D.

18E Total collective impairments

This is the total collective impairments, being the sum of data elements 19E to 21E.

18F Total other (credit valuation adjustment)

This is the total for all other credit valuation adjustments, being the sum of data elements 19F to 21F.

...

19B Central governments and central banks

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(1).

[*CEBS' CR IRB column 11*]

19C Central governments and central banks

This is the expected loss calculated in accordance with *BIPRU* 4.4.61R to *BIPRU* 4.4.62R gross of tax adjustments relating to the asset class defined in *BIPRU* 4.3.2R(1).

19D Central governments and central banks

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(1).

19E Central governments and central banks

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(1).

19F Central governments and central banks

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(1).

...

20B Institutions

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(2).

[*CEBS' CR IRB column 11*]

20C Institutions

This is the expected loss calculated in accordance with *BIPRU* 4.4.61R to *BIPRU* 4.4.62R gross of tax adjustments relating to the asset class defined in *BIPRU* 4.3.2R(2).

20D Institutions

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(2).

20E Institutions

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(2).

20F Institutions

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(2).

...

21B Corporates

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(3).

[*CEBS' CR IRB column 11*]

21C Corporates

This is the expected loss calculated in accordance with *BIPRU* 4.4.61R to *BIPRU* 4.4.62R gross of tax adjustments relating to the asset class defined in *BIPRU* 4.3.2R(3).

21D Corporates

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(3).

21E Corporates

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(3).

21F Corporates

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 4.3.2R(3).

...

22B Of which: To companies according to BIPRU 4.4.59R to BIPRU 4.4.60R

This is the exposure value relating to exposures to the asset class defined in BIPRU 4.3.2R(3) that meet the size requirements in BIPRU 4.4.59R and BIPRU 4.4.60R. It is part of 21B.

[CEBS' CR IRB column 11]

22C Of which: To companies according to BIPRU 4.4.59R to BIPRU 4.4.60R

This is the expected loss calculated in accordance with BIPRU 4.4.61 to BIPRU 4.4.62 gross of tax adjustments relating to the asset class defined in BIPRU 4.3.2R(3) that meet the size requirements in BIPRU 4.4.59R and BIPRU 4.4.60R. It is part of 21C.

22D Of which: To companies according to BIPRU 4.4.59R to BIPRU 4.4.60R

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 4.3.2R(3) that meets the size requirements in BIPRU 4.4.59R and BIPRU 4.4.60R. It is part of 21D.

22E Of which: To companies according to BIPRU 4.4.59R to BIPRU 4.4.60R

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 4.3.2R(3) that meet the size requirements in BIPRU 4.4.59R and BIPRU 4.4.60R. It is part of 21E.

22F Of which: To companies according to BIPRU 4.4.59R to BIPRU 4.4.60R

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 4.3.2R(3) that meet the size requirements in BIPRU 4.4.59R and BIPRU 4.4.60R. It is part of 21F.

39A Of which: To specialised lending BIPRU 4.5

This is the capital requirement relating to the exposure class defined in BIPRU 4.5.3R, calculated in accordance with BIPRU 4. It is part of 21A.

39B Of which: To specialised lending BIPRU 4.5

This is the exposure value relating to exposures to the asset class defined in BIPRU 4.5.3R. It is part of 21B.

39C Of which: To specialised lending BIPRU 4.5

This is the expected loss which we would expect firms to calculate in accordance with BIPRU 4.5.12R to BIPRU 4.5.14R. It is part of 21C.

39D Of which: To specialised lending BIPRU 4.5

This is the provision/impairment which arises from the individual assessment of an asset within this exposure class. It is part of 21D.

39E Of which: To specialised lending BIPRU 4.5

This is the provision/impairment which arises from a review of groups of assets within this exposure class. It is part of 21E.

39F Of which: To specialised lending BIPRU 4.5

This is for any other credit valuation adjustments relating to exposures within this asset class. It is part of 21F.

...

23B Total capital requirement exposure value

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(4) and is the sum of 24B to 27B.

[CEBS' CR IRB column 11]

23C Total expected loss

This is the expected loss relating to the asset class defined in *BIPRU* 4.3.2R(4) and is the sum of 24C to 27C.

23D Total individual impairments

This is the total individual impairments, being the sum of data elements 24D to 27D. We understand most firms will not carry out individual assessments on retail exposures so in the majority of instances column D for these exposure classes will be zero.

23E Total collective impairments

This is the total collective impairments, being the sum of data elements 24E to 27E.

23F Total other (credit valuation adjustment)

This is the total for all other credit valuation adjustments, being the sum of data elements 24F to 27F.

...

24B Retail mortgages

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.43R.

[CEBS' CR IRB column 11]

24C Retail mortgages

This is the expected loss, calculated in accordance with *BIPRU* 4.6.47R to *BIPRU* 4.6.48R relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.43R.

24D Retail mortgages

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.43R.

24E Retail mortgages

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.43R.

24F Retail mortgages

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.43R.

...

25B Qualifying Revolving Retail Exposures

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.44R to *BIPRU* 4.6.46R~~G~~.

[CEBS' CR IRB column 11]

25C Qualifying Revolving Retail Exposures

This is the expected loss, calculated in accordance with *BIPRU* 4.6.47R to *BIPRU* 4.6.48R relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.44R to *BIPRU* 4.6.46R.

25D Qualifying Revolving Retail Exposures

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.44R to *BIPRU* 4.6.46R.

25E Qualifying Revolving Retail Exposures

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.44R to *BIPRU* 4.6.46R.

25F Qualifying Revolving Retail Exposures

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(4) and subject to *BIPRU* 4.6.44R to *BIPRU* 4.6.46R.

...

26B Retail SME

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(4) for an exposure to a *Retail SME*.

[*CEBS' CR IRB column 11*]

26C Retail SME

This is the expected loss, calculated in accordance with *BIPRU* 4.6.47R to *BIPRU* 4.6.48R relating to the asset class defined in *BIPRU* 4.3.2R(4) for an exposure to a *Retail SME*.

26D Retail SME

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(4) for an exposure to a *Retail SME*.

26E Retail SME

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(4) for an exposure to a *Retail SME*.

26F Retail SME

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(4) for an exposure to a *Retail SME*.

...

27B Other retail

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(4) that is not otherwise reported in 24B, 25B or 26B.

[*CEBS' CR IRB column 11*]

27C Other retail

This is the expected loss, calculated in accordance with *BIPRU* 4.6.47R to *BIPRU* 4.6.48R relating to the asset class defined in *BIPRU* 4.3.2R(4) that is not otherwise reported in 24C, 25C or 26C.

27D Other retail

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(4) that is not otherwise reported in 24D, 25D or 26D.

27E Other retail

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(4) that is not otherwise reported in 24E, 25E or 26E.

27F Other retail

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 4.3.2R(4) that is not otherwise reported in 24F, 25F or 26F.

28A Total Capital Requirement

This is the total capital requirement, being the sum of 29B to 31B. This is the same as the capital requirement reported in data element 83A in FSA003.

28B Total exposure value

This is the total exposure value, being the sum of ~~23B~~ 29B to ~~26B~~ 31B.

28C Total expected loss

This is the total expected loss value, being the sum of 29C to 31C.

28D Total individual impairments

This is the total individual impairments, being the sum of 29D to 31D.

28E Total collective impairments

This is the total collective impairments, being the sum of 29E to 31E.

28F Total other (credit valuation adjustment)

This is the total of all other credit valuation adjustments, being the sum of 29F to 31F.

29B Central governments and central banks

This is the exposure value relating to the asset class defined in BIPRU 4.3.2R(1).

[CEBS' CR IRB column 11]

29C Central governments and central banks

This is the expected loss, calculated in accordance with BIPRU 4.4.61R to BIPRU 4.4.62R relating to the asset class defined in BIPRU 4.3.2R(1).

29D Central governments and central banks

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 4.3.2R(1).

29E Central governments and central banks

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 4.3.2R(1).

29F Central governments and central banks

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(1).

...

30B Institutions

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(2).

[*CEBS' CR IRB column 11*]

30C Institutions

This is the expected loss, calculated in accordance with *BIPRU* 4.4.61R to *BIPRU* 4.4.62R relating to the asset class defined in *BIPRU* 4.3.2R(2).

30D Institutions

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(2).

30E Institutions

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(2).

30F Institutions

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(2).

...

31B Corporates

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(3).

[*CEBS' CR IRB column 11*]

31C Corporates

This is the expected loss, calculated in accordance with *BIPRU* 4.4.61R to *BIPRU* 4.4.62R relating to the asset class defined in *BIPRU* 4.3.2R(3).

31D Corporates

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(3).

31E Corporates

This is the provision/impairment which arises from a review of groups of assets within the

asset class defined in *BIPRU 4.3.2R(3)*.

31F Corporates

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 4.3.2R(3)*.

...

32B Of which: To companies according to *BIPRU 4.4.59R* to *BIPRU 4.4.60R*

This is the exposure value relating to exposures to the asset class defined in *BIPRU 4.3.2R(3)* that meet the size requirements in *BIPRU 4.4.59R* and *BIPRU 4.4.60R*. It is part of 31B.

[CEBS' CR IRB column 11]

32C Of which: To companies according to *BIPRU 4.4.59R* to *BIPRU 4.4.60R*

This is the expected loss calculated in accordance with *BIPRU 4.4.61* to *BIPRU 4.4.62* relating to the asset class defined in *BIPRU 4.3.2R(3)* that meet the size requirements in *BIPRU 4.4.59R* and *BIPRU 4.4.60R*, and should not include any adjustments. It is part of 31C.

32D Of which: To companies according to *BIPRU 4.4.59R* to *BIPRU 4.4.60R*

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU 4.3.2R(3)* that meets the size requirements in *BIPRU 4.4.59R* and *BIPRU 4.4.60R*. It is part of 31D.

32E Of which: To companies according to *BIPRU 4.4.59R* to *BIPRU 4.4.60R*

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU 4.3.2R(3)* that meet the size requirements in *BIPRU 4.4.59R* and *BIPRU 4.4.60R*. It is part of 31E.

32F Of which: To companies according to *BIPRU 4.4.59R* to *BIPRU 4.4.60R*

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU 4.3.2R(3)* that meet the size requirements in *BIPRU 4.4.59R* and *BIPRU 4.4.60R*. It is part of 31F.

40A Of which: To specialised lending *BIPRU 4.5*

This is the capital requirement relating to the exposure class defined in *BIPRU 4.5.3R*, calculated in accordance with *BIPRU 4*. It is part of 31A.

40B Of which: To specialised lending *BIPRU 4.5*

This is the exposure value relating to exposures to the asset class defined in *BIPRU 4.5.3R*. It is part of 31B.

40C Of which: To specialised lending *BIPRU 4.5*

This is the expected loss which we would expect firms to calculate in accordance with BIPRU 4.5.12R to BIPRU 4.5.14R. It is part of 31C.

40D Of which: To specialised lending BIPRU 4.5

This is the provision/impairment which arises from the individual assessment of an asset within this exposure class. It is part of 31D.

40E Of which: To specialised lending BIPRU 4.5

This is the provision/impairment which arises from a review of groups of assets within this exposure class. It is part of 31E.

40F Of which: to specialised lending BIPRU 4.5

This is for any other credit valuation adjustments relating to this asset class. It is part of 31F.

Other IRB exposure classes

33A ~~Total other exposure classes~~ capital requirement

This is the same as the capital requirement reported in data element 84A in FSA003. It is the sum of 34A to 36A.

33B ~~Total other exposure classes~~ value

This is the total exposure value, being the sum of 34B to 36B.

33C Total expected loss

This is the total expected loss. As expected loss is only applicable to Equity claims, the total will be the same value as 34C.

33D Total individual impairments

This is the total individual impairments, being the sum of 34D to 36D.

33E Total collective impairments

This is the total collective impairments, being the sum of 34E to 36E.

33F Total other (credit valuation adjustment)

This is the total of all other credit valuation adjustments, being the sum of 34F to 36F.

...

34B Equity claims

This is the exposure value relating to the asset class defined in *BIPRU 4.3.2R(5)*.

[CEBS' CR EQU IRB column 9]

34C Equity claims

This is the expected loss amount relating to assets within the asset class defined in *BIPRU* 4.3.2R(5).

34D Equity claims

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(5).

34E Equity claims

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(5).

34F Equity claims

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(5).

35A Securitisation positions

This is the capital requirement, calculated in accordance with *BIPRU* 4, relating to the asset class defined in *BIPRU* 4.3.2R(6).

[CEBS' CR SEC IRB column 39]

...

35D Securitisation positions

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in *BIPRU* 4.3.2R(6).

35E Securitisation positions

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in *BIPRU* 4.3.2R(6).

35F Securitisation positions

This is for any other credit valuation adjustments relating to the asset class defined in *BIPRU* 4.3.2R(6).

...

36B Non credit-obligation assets

This is the exposure value relating to the asset class defined in *BIPRU* 4.3.2R(7). It is calculated as the figure in 36A divided by 8%.

36D Non credit-obligation assets

This is the provision/impairment which arises from the individual assessment of an asset within the asset class defined in BIPRU 4.3.2R(7).

36E Non credit-obligation assets

This is the provision/impairment which arises from a review of groups of assets within the asset class defined in BIPRU 4.3.2R(7).

36F Non credit-obligation assets

This is for any other credit valuation adjustments relating to the asset class defined in BIPRU 4.3.2R(7).

FSA004 – Credit risk validations**Internal validations**

Data elements are referenced by row then column

Validation number	Data element		
1			[deleted – replaced by validation 14]
2	1B	=	2B+3B+4B+5B+6B+7B+8B+9B+10B 37B+38B+11B+12B+13B+14B+15B+16B+17B
3	18A	=	19A+20A+21A
4	18B	=	19B+20B+21B
5	22A	≤	21A
6	22B	≤	21B
7	23A	=	24A+25A+26A+27A
8	23B	=	24B+25B+26B+27B
9	28A	=	29A+30A+31A
10	28B	=	29B+30B+31B
11	32A	≤	31A
12	32B	≤	31B
13	36B	=	36A/8%
14	1A	=	2A + 3A + 4A + 5A + 6A + 7A + 8A + 9A + 10A 37A+38A + 11A + 12A + 13A + 14A + 15A + 16A + 17A
15	33A	=	34A + 35A + 36A

16	33B	=	34B + 35B + 36B
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...

FSA045 – IRB portfolio risk

...

Currency

You should report in the currency of your annual audited accounts ~~ie~~ i.e. in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s, to 3 decimal places.

...

~~Definiton~~ Definition of default – number of days

The exact number of days past due that is applied to each asset class as part of the definition of default.

Credit risk

Gross exposure value

~~Exposure before taking into account credit risk mitigation and credit conversion factors (CCFs).~~ Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

...

PD – ~~probability~~ Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with *BIPRU* 4. This should be the long-run PD and take into account the 0.03% PD floor.

...

Risk weighted exposure amount

Calculate in accordance with *BIPRU* 4.

Counterparty credit risk

Gross exposure value

Exposure value without taking into account value adjustments and provision/impairments, conversion factors and the effect of credit risk mitigation techniques, except in the case of Funded Credit Protection in the form of master netting agreements.

Exposure at default estimate

Calculate in accordance with BIPRU 4. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

PD – Probability of default

The probability of default of a counterparty over a one year period, calculated in accordance with BIPRU 4. This should be the long-run PD and take into account the 0.03% PD floor

LGD – Loss given default

The ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default, calculated in accordance with BIPRU 4. This should be the downturn LGD.

Expected loss

Calculate in accordance with BIPRU 4.

Risk weighted exposure amount

Calculate in accordance with BIPRU 4.

...

Change to the compensation limit for deposits (COMP)

**COMPENSATION SOURCEBOOK (DEPOSIT GUARANTEE SCHEMES
DIRECTIVE AMENDMENTS) INSTRUMENT (No 2) 2010**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance);
 - (d) section 213 (The compensation scheme); and
 - (e) section 214 (General); 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 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2010.

Amendments to the Handbook

- D. The Compensation sourcebook (COMP) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Compensation Sourcebook (Deposit Guarantee Schemes Directive Amendments) Instrument (No 2) 2010.

By order of the Board
16 December 2010

Annex

Amendments to the Compensation sourcebook (COMP)

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

- 7.2.3C G (1) For example, if the claimant's overall *claim* for *protected deposits* against a *relevant person* was for ~~£100,000~~120,000, and the *FSCS* paid compensation of ~~£50,000~~[85,000]¹ and took assignment of all the claimant's rights in relation to that claim, and made recoveries through those rights in the sum of ~~£80,000~~96,000 (after the costs of recovery and of distribution), then:
- (a) the recovery ratio would be 80% (~~£80,000~~ 96,000 ÷ ~~£100,000~~ 120,000);
 - (b) the compensation shortfall would be ~~£50,000~~ [35,000] (~~£100,000~~ 120,000 - ~~£50,000~~ [85,000]);
 - (c) the *FSCS* retention sum would be ~~£40,000~~ [68,000] (80% x ~~£50,000~~ [85,000]);
 - (d) the top up payment would be ~~£40,000~~ [28,000] (80% of ~~£50,000~~ [35,000]);
 - (e) the total payment to the claimant would be ~~£90,000~~ [113,000] (~~£50,000~~ [85,000] of compensation plus ~~£40,000~~ [28,000] of top up payment); and
 - (f) the total outlay by the *FSCS*, net of the *FSCS* retention sum, would be ~~£40,000~~ [17,000] (20% x ~~£50,000~~ [85,000]).
- (2) In the example above, the amount recovered exceeds the amount of compensation. However, *COMP* 7.2.1R also applies where the amount recovered is less than the amount of compensation. Therefore, for example, if the claimant's overall *claim* for *protected deposits* against a *relevant person* was for ~~£100,000~~ 120,000, and the *FSCS* paid compensation of ~~£50,000~~ [85,000] and took assignment of all the claimant's rights in relation to that claim, and made recoveries through those rights in the sum of ~~£20,000~~ 24,000 (after the costs of recovery and of distribution), then:
- (a) the recovery ratio would be 20% (~~£20,000~~ 24,000 ÷ ~~£100,000~~ 120,000);
 - (b) the compensation shortfall would be ~~£50,000~~ [35,000]

¹ Subject to review before FSA makes rules in December 2010

(£100,000 120,000 - £50,000 [85,000]);

- (c) the FSCS retention sum would be £10,000 [17,000] (20% x £50,000 [85,000]);
- (d) the top up payment would be £10,000 [7,000] (20% of £50,000 [35,000]);
- (e) the total payment to the claimant would be £60,000 [92,000] (£50,000 [85,000] of compensation plus £10,000 [7,000] of top up payment); and
- (f) the total outlay by the FSCS, net of the FSCS retention sum, would be £40,000 [68,000] (80% x £50,000 [85,000]).

...

10.2.3 R Table Limits

This table belongs to COMP 10.2.1R

Type of claim	Level of cover	Maximum payment
<i>Protected deposit</i>	100% of <i>claim</i>	£50,000 or €50,000 whichever is the greater on the date the <i>relevant person</i> is determined to be <i>in default</i> or the date the <i>protected deposit</i> was due and payable, if later. <u>£[85,000]</u> [Note: article 7(1) articles 7(1a) and 7(1b) of the <i>Deposit Guarantee Directive</i>] ...
...		

...

Incoming EEA firms that accept deposits through UK branches and have not obtained top-up cover

- 16.3.3 R An *incoming EEA firm* that *accepts deposits* through a *UK branch* ~~and has not obtained top-up cover~~ must disclose the following information to any *deposit holder* with that *branch* who is or is likely to be eligible to claim for compensation from the *firm's Home State* compensation scheme.

...

Incoming EEA firms that accept deposits through UK branches and have obtained top-up cover

- 16.3.4 R *An incoming EEA firm that accepts deposits through a UK branch and has obtained top-up cover must disclose the following information to any protected deposit holder with that firm who is or is likely to be an eligible claimant.*

~~Important information about compensation arrangements~~

~~We are part of [insert name of firm] which is based in [insert name of Home State]. Most depositors are covered by [insert name of Home State compensation scheme] compensation scheme which is also based in [insert name of Home State]. In addition, for depositors with our UK branch we have joined the UK compensation scheme, the Financial Services Compensation Scheme (FSCS).~~

~~This means that if our bank is unable to meet its financial obligations, eligible depositors with our UK branch could claim up to £ [insert Home State compensation scheme maximum payment for deposits] from the [insert name of Home State compensation scheme] and if they have more saved with us, they could also claim for the remainder up to [insert FSCS maximum payment for protected deposits] from the FSCS.~~

~~This is because the [insert name of Home State compensation scheme] is only responsible for paying the first part of the compensation up to £ [insert Home State compensation scheme maximum payment for deposits] and the FSCS is only responsible for paying the second part of compensation—being above £ [insert Home State compensation scheme maximum payment for deposits] and up to [insert FSCS maximum payment for protected deposits].~~

~~The FSCS will also try to help depositors with our UK branch, for example, to get in touch with the [insert name of Home State compensation scheme] compensation scheme and to understand the process involved.~~

~~For further information on how compensation would apply to you please contact:~~

- ~~• [insert name of firm] by dropping into one of our branches, at [insert website link] or by calling [insert phone number].~~

~~General information is also available from:~~

- ~~• the FSCS by calling [insert FSCS phone number] or at www.fses.org.uk/.~~
- ~~• [insert name of Home State compensation scheme] compensation scheme by contacting [insert relevant phone number and website link]. [deleted]~~

...

Amend the following as shown.

TP 1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions: coming into force
...					
<u>24</u>	<u>COMP 10.2.3R</u>	<u>R</u>	<u>The change to the limit for <i>protected deposits</i> made by the Compensation Sourcebook (Deposit Guarantee Schemes Directive Amendments) Instrument (No 2) 2010 does not apply in relation to a <i>claim against a relevant person that was in default</i> before 31 December 2010.</u>	<u>From 31 December 2010 indefinitely</u>	<u>31 December 2010</u>

...

Proposed changes to aspects of collective investment schemes management (COLL)

**COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (WINDING UP AND
SUB-FUND TERMINATION) INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance);
 - (d) section 247 (Trust scheme rules); and
 - (e) section 248 (Scheme particulars rules);
 - (2) regulation 6(1) (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

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

Amendments to the Handbook

- D. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Winding Up and Sub-fund Termination) Instrument 2011.

By order of the Board

[]

Annex

Amendments to the Collective Investments Schemes sourcebook (COLL)

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

...

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

Explanation of COLL 7.3

7.3.1 G ...

- (4) COLL 7.3.3G gives an overview of the main steps in winding up a solvent ICVC or terminating a sub-fund under FSA rules, assuming FSA approval.

...

Guidance on winding up or termination

7.3.3 G This table belongs to ~~COLL 7.3.3G~~ 7.3.1G(4) (Explanation of COLL 7.3)

Summary of the main steps in winding up a solvent *ICVC* or terminating a *sub-fund* under *FSA rules*, assuming *FSA approval*.

Notes: N = Notice to be given to the *FSA* under regulation 21 of *OEIC Regulations*

E = commencement of winding up or termination

W/U = winding up

FAP = final accounting period (*COLL 7.3.8 R(4)*)

Step number	Explanation	When	<i>COLL rule</i> (unless stated otherwise)
...			
4	Normal business ceases; publish notices <u>notify unitholders</u>	E	7.3.6
...			

...

Consequences of commencement of winding up or termination

7.3.6 R ...

- (2) Once winding up or termination has commenced:

- (a) *COLL 6.2 (Dealing), COLL 6.3 (Valuation and pricing) and COLL 5 (Investment and borrowing powers) cease to apply to the ICVC or to the units and scheme property in the case of a sub-fund;*
- (b) *the ICVC must cease to issue and cancel units, except in respect of the final cancellation under COLL 7.3.7R(5);*
- (c) *the ACD must cease to sell or redeem units or to arrange for the issue or cancellation of units, except in respect of the final cancellation under COLL 7.3.7R(5);*

...

...

Manner of winding up or termination

7.3.7 R ...

- (5) On or before the date on which the final account is sent to *unitholders* in accordance with *COLL 7.3.8R (Final account and termination account)*, the *ACD* must arrange for all units in issue to be cancelled and for the depositary to make a final distribution to the unitholders, in the same proportions as provided by (4), of the balance remaining (net of a provision for any further expenses of the ICVC or sub-fund).

...

7.3.7A G For the purposes of this section an ICVC may be treated as having been wound up or a sub-fund terminated upon completion, where relevant, of all of the steps in (1) to (3):

- (1) payment or adequate provision being made (by the ACD) to cover the expenses relating to the winding up or termination and all liabilities of the scheme;
- (2) the scheme property being realised or distributed in accordance with COLL 7.3.7R(8); and
- (3) the net proceeds being distributed to the unitholders named in the register on the date on which winding up or termination commenced, or provision being made in respect of the final distribution.

Final account and termination account

- 7.3.8 R (1) Once the *ICVC*'s affairs are ~~fully~~ wound up or termination of the sub-fund has been completed (including distribution or provision for distribution in accordance with *COLL 7.3.7R(5)*), the *ACD* must prepare an account of the winding up or termination showing:
- (a) how it has been conducted; and
 - (b) how the *scheme property* has been disposed of.
- ...
- (4) The final account must state the date on which the *ICVC*'s affairs were ~~fully~~ wound up and the date stated must be regarded as the final *day* of the accounting period of the *ICVC* then running ('final accounting period') for the purpose of *COLL 4.5*.
- (4A) The termination account must state the date on which the *sub-fund*'s affairs were terminated.
- ...
- (6) Within two *months* of the date of the completion of the winding up of the *ICVC* or termination of the *sub-fund*, the *ACD* must send a copy of the final account or termination account and the auditor's report on it to the *FSA* and to each *person* who was a *unitholder* (or the first named of joint *unitholders*) immediately before ~~its end~~ the winding up or termination commenced.

...

Reports and accounts

- 7.3.10 R (1) The *ACD* need not (as would be required under *COLL 4.5.13R* (Provision of short report)) ~~send to each *unitholder* a copy of any~~ prepare a short report relating to an *annual accounting period* or *half-yearly accounting period* which began after commencement of winding up or termination, if the *directors* of the *ICVC*, after consulting the *FSA* *depository*, have reasonably determined that this is not required in the ~~interest~~ interests of *unitholders*.
- (1A) The *ACD* must consult with the *depository* before determining that a short report is not required in the interests of *unitholders*.
- (2) Where (1) applies, a copy of the ~~short or~~ long report must be supplied free of charge to any *unitholder* upon request.
- (3) Where (1) applies, the *ACD* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination including, if

known, its likely duration.

- (4) The ACD must send a copy of the information required by (3) to each person who was a unitholder or the first named of joint unitholders immediately before the winding up or termination commenced.

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

- (2) Where there are outstanding unrealised assets, keeping unitholders appropriately informed may, for example, be carried out by providing updates at six-monthly or more frequent intervals.

...

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

Explanation of COLL 7.4

7.4.1 G ...

- (4) COLL 7.4.2AG gives an overview of the main steps in winding up an AUT or terminating a sub-fund under FSA rules, assuming FSA approval.

...

Guidance on winding up or termination

7.4.2A G This table belongs to COLL 7.4.1G(4) (Explanation of COLL 7.4)

...

<u>Summary of the main steps in winding up an AUT or terminating a sub-fund under FSA rules</u>			
<u>Notes: N = Notice to be given to the FSA under section 251 of the Act.</u>			
<u>E = commencement of winding up or termination</u>			
<u>W/U = winding up</u>			
<u>FAP = final accounting period (COLL 7.4.5R(4))</u>			
<u>Step number</u>	<u>Explanation</u>	<u>When</u>	<u>COLL rule (unless stated otherwise)</u>
<u>1</u>	<u>Receive FSA approval</u>	<u>N + one month</u> <u>On receipt of notice from the FSA</u>	<u>Section 251 of the Act</u>
<u>2</u>	<u>Normal business ceases; notify unitholders</u>	<u>E</u>	<u>7.4.3R</u>
<u>3</u>	<u>Trustee to realise and distribute proceeds</u>	<u>ASAP after E</u>	<u>7.4.4R (1) to (5)</u>
<u>4</u>	<u>Prepare final account or termination account and have account audited</u>	<u>On completion of W/U or termination</u>	<u>7.4.7R (1) to (5)</u>
<u>5</u>	<u>Send final account or termination account and auditor's report to the FSA and unitholders</u>	<u>Within 2 months of FAP</u>	<u>7.4.7R (6)</u>
<u>6</u>	<u>Request FSA to revoke relevant authorisation order</u>	<u>On completion of W/U</u>	<u>7.4.4R(6)</u>

When an AUT is to be wound up or a sub-fund terminated

- 7.4.3 R (1) Upon the happening of any of the events or dates referred to in paragraph (2) and not otherwise:
- (a) *COLL 6.2 (Dealing), COLL 6.3 (Valuation and pricing) and COLL 5 (Investment and borrowing powers) cease to apply to the AUT or to the units and scheme property in the case of a sub-fund;*
 - (b) *the trustee must cease to issue and ~~cancel~~ cancel units, except in respect of the final cancellation under COLL 7.4.9R(1) or (2);*
 - (c) *the manager must cease to sell and redeem units;*
 - (d) *the manager must cease to arrange the issue or cancellation of units under COLL 6.2.7R (Issue and cancellation of units through an authorised fund manager), except in respect of the final cancellation under COLL 7.4.4R(1) or (2); and*
 - (da) *no transfer of a unit may be registered and no other change to the register of unitholders may be made without the approval of the person responsible for the register in accordance with COLL 6.4.4R(1); and*

(e) ...

(1A) If the *manager* has not previously notified *unitholders* of the proposal to wind up the *AUT* or terminate the *sub-fund*, it must as soon as practicable after winding up or termination has commenced give written notice of the commencement of the winding up or termination to the *unitholders*.

...

Manner of winding up or termination

- 7.4.4 R (1) Where *COLL 7.4.3R(2)(f)* applies, the *trustee* must cancel all units in issue and wind up the *AUT* or terminate the *sub-fund* in accordance with the approved *scheme of arrangement*.
- (2) In any other case falling within *COLL 7.4.3R*:
- (a) once the *AUT* falls to be wound up or *sub-fund* terminated, the *trustee* must realise the *scheme property*;
- (b) after paying out or retaining adequate provision for all liabilities payable and for the costs of the winding up or termination, the *trustee* must cancel all units in issue and distribute the proceeds of that realisation to the *unitholders* and the *manager* proportionately to their respective interests in the *AUT* or *sub-fund* as at the date, or the date of the relevant event referred to in *COLL 7.4.3R*; and
- (c) any unclaimed net proceeds or other cash (including unclaimed distribution payments) held by the *trustee* after one year from the date on which they became payable must be paid by the *trustee* into court (or, in Scotland, as the court may direct), subject to the *trustee* having a right to retain any expenses properly incurred by him relating to that payment.
- (3) For an *AUT* which is a *relevant pension scheme*, payments must not be made to *unitholders* in the *AUT*, the realisation proceeds having to be paid by the *trustee* in accordance with the *trust deed*.
- (4) Where the *trustee* and one or more *unitholders* agree, the requirement in (2) to realise the *scheme property* does not apply to that part of the property proportionate to the entitlement of that or those *unitholders*.
- (5) The *trustee* ~~may~~ must distribute the part of the *scheme property* referred to in (4) in the form of property, after making adjustments or retaining provisions as appears appropriate to the *trustee* for ensuring that, that or those *unitholders* bear a proportional share of the liabilities and costs.
- (6) On completion of the winding up in respect of the events referred to in *COLL 7.4.3R(2)(c)*, *COLL 7.4.3R(2)(d)*, ~~or~~ *COLL 7.4.3R(2)(e)* or *COLL 7.4.3R(2)(f)*, the *trustee* must notify the *FSA* in writing and at the same time the *manager* or *trustee* must request the *FSA* to revoke the relevant

authorisation order.

- 7.4.4A G For the purposes of this section, an *AUT* may be treated as having been wound up or a *sub-fund* terminated upon completion, where relevant, of all of the steps in (1) to (3):
- (1) payment or adequate provision being made (by the *trustee* after consulting the *manager*) to cover the expenses relating to the winding up or termination and all liabilities of the *scheme*;
 - (2) the *scheme property* being realised or distributed in accordance with *COLL 7.4.4R(5)*; and
 - (3) the net proceeds being distributed to the *unitholders* named in the *register* on the date on which winding up or termination commenced, or provision being made in respect of the final distribution.

Accounting and reports during winding up or termination

- 7.4.5 R (1) For any *annual* or *half-yearly accounting period* which ~~began~~ begins after commencement of the winding up or termination, the ~~*manager trustee*~~ (after consulting the *manager* (if appropriate) and the *FSA*) may direct ~~that is not required to prepare a short report (*COLL 4.5.13R* (Provision of short report))~~ may be dispensed with, provided that ~~it has taken reasonable care to determine~~ it has reasonably determined that the report is not required in the interests of the *unitholders*.
- (1A) The *manager* must consult the *trustee* before determining that a short report is not required in the interests of *unitholders*.
- (2) Where (1) applies, a copy of the ~~short and~~ long report must be supplied free of charge to any *unitholder* upon request.
- (2A) Where (1) applies, the *manager* must ensure that it keeps *unitholders* appropriately informed about the winding up or termination, including its likely duration.
- (2B) The *manager* must send a copy of the information required by *COLL 7.4.5R(2A)* to each *person* who was a *unitholder* or the first named of joint *unitholders* immediately before the winding up or termination commenced.
- (3) ~~The period in question in (2) must be reported on together with the following period in the next report prepared for the purposes of this rule.~~
[deleted]
- (4) ~~At the conclusion of the winding up or termination, the accounting period then running is regarded as the final *annual accounting period*.~~ [deleted]
- (5) ~~Within two months after the end of the final *annual accounting period* or the termination of the *sub-fund*, the annual reports of the *manager* and *trustee* must be published and sent to the *FSA* and to each *person* who~~

~~was a *unitholder* or the first named of joint *unitholders* immediately before its end. [deleted]~~

- 7.4.6 G (1) The effect of COLL 7.4.5R(1), if exercised by the *manager* and *trustee*, is that the *manager* must continue to prepare annual and half-yearly long reports, containing the reports of the *trustee* and auditor, and to make them available to *unitholders* in accordance with COLL 4.5.14R. The *manager* and *trustee* should consider consulting the FSA if making a determination that the short report is not in the interests of the *unitholders*.
- (2) Where there are outstanding unrealised assets, keeping *unitholders* appropriately informed may, for example, be carried out by providing updates to *unitholders* at six-monthly or more frequent intervals.

Final account and termination account

- 7.4.7 R (1) Once the *AUT*'s affairs are wound up or termination of the *sub-fund* has been completed (including distribution or provision for distribution in accordance with COLL 7.4.4R(2)(b)), the *manager* must prepare an account of the winding up or termination showing:
- (a) how it has been conducted; and
- (b) how the *scheme property* has been disposed of.
- (2) The account in (1) must, if the *manager* has:
- (a) more than one *director*, be approved by at least two *directors* of the *manager*; or
- (b) only one *director*, be signed by the *director* of the *manager*.
- (3) Once signed, this account is the "final account" for the purposes of the winding up of an *AUT* and the "termination account" for the purposes of the termination of a *sub-fund*.
- (4) The final account must state the date on which the *AUT*'s affairs were wound up and the date stated must be regarded as the final day of the accounting period of the *AUT* then running ('final accounting period') for the purpose of COLL 4.5.
- (5) The termination account must state the date on which the *sub-fund*'s affairs were terminated.
- (6) The *manager* must ensure that the *AUT*'s auditor makes a report in respect of the final account or termination account, which states the auditor's opinion whether the final account or termination account has been properly prepared for the purpose of (1).
- (7) Within two *months* of the date of completion of the winding up of the *AUT* or termination of the *sub-fund*, the *manager* must send a copy of the

final account or termination account and auditor's report to the FSA and to each person who was a unitholder (or the first named of joint unitholders) immediately before winding up or termination commenced.

COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK (MISCELLANEOUS PROVISIONS) INSTRUMENT 2011

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions in or under:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 138 (General rule-making power);
 - (b) section 156 (General supplementary powers);
 - (c) section 157(1) (Guidance);
 - (d) section 247 (Trust scheme rules); and
 - (e) section 248 (Scheme particulars rules);
 - (2) regulation 6(1) (FSA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

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

Amendments to the Handbook

- D. The Collective Investment Schemes sourcebook (COLL) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Collective Investment Schemes Sourcebook (Miscellaneous Provisions) Instrument 2011.

By order of the Board

[]

Annex

Amendments to the Collective Investments Schemes sourcebook (COLL)

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

Investment in property

5.6.18 R ...

- (8) The authorised fund manager must ensure that each immovable held as part of *scheme property* is adequately protected by appropriate insurance which is sufficient to cover the reinstatement of the immovable.

...

Investment limits for immovables

5.6.19 R The following limits apply in respect of immovables held as part of *scheme property* of a *scheme*:

- (1) not more than 15% in value of the *scheme property* is to consist of any one immovable;

...

- (5) ~~not more than 20% in value of the *scheme property* is to consist of immovables that are subject to a mortgage and any mortgage must not secure more than 100% of the value in COLL 5.6.18R(4) (on the assumption the immovable is not mortgaged)~~ an immovable may not be used to secure any mortgage in excess of 100% of its value as reported in accordance with COLL 5.6.18R(4) (on the assumption that the immovable is not mortgaged);

- (6) the aggregate value of:

- (a) mortgages secured on immovables under (5);
 (b) borrowing of the *scheme* under COLL 5.6.22R(5); and
 (c) any *transferable securities* that are not *approved securities*;

must not at any time exceed 20% of the value of the *scheme property*;

- (7) not more than 50% in value of the *scheme property* is to consist of ~~*immovables*~~ immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment; and

...

5.6.19A G In calculating a *scheme's* exposure to immovables in relation to COLL 5.6.19R(7), the *authorised fund manager* should ensure that all liabilities and future commitments that the *scheme* could reasonably be expected to meet, in respect of each immovable, are taken into account, either in the valuation of the immovable or, if not included in that valuation, in the valuation of the *scheme property*.

...

Income allocation and distribution

6.8.3 R ...

(3A) The amount available for income allocations must be calculated by:

...

(c) making any other transfers between the *income account* and the *capital account* that are required in relation to:

(i) stock dividends;

(ii) *income equalisation* included in income allocations from other *collective investment schemes*;

(iii) the allocation of payments in accordance with COLL 6.7.10R (Allocation of payments to income or capital);

(iv) taxation; ~~and~~

(v) the aggregate amount of *income property* included in *units issued* and *units cancelled* during the period; and

(vi) amounts determined by the *authorised fund manager* to be the reportable income of other *collective investment schemes*.

...

Investment in property

8.4.11 R ...

(5) The *authorised fund manager* must ensure that each immovable held by the *scheme* is adequately protected by appropriate insurance which is sufficient to cover the cost of reinstatement of the immovable.

...

Standing independent valuer and valuation

...

- 8.4.15 G Where a *scheme* holds immovables which are unoccupied and non-income producing or in the course of substantial development, redevelopment or refurbishment, the *authorised fund manager* should ensure that all liabilities and future commitments that the scheme could reasonably be expected to meet, in respect of each immovable, are taken into account, either in the valuation of the immovable or, if not included in that valuation, in the valuation of the *scheme property*.

PUB REF: 002388

The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099
Website: <http://www.fsa.gov.uk>

Registered as a Limited Company in England and Wales No. 1920623. Registered Office as above.

PUB REF: 002388

The Financial Services Authority
25 The North Colonnade Canary Wharf London E14 5HS
Telephone: +44 (0)20 7066 1000 Fax: +44 (0)20 7066 1099
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