

# Handbook Notice No.54

April 2018

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# 1 Overview

## Legislative changes

- 1.1 On 7 March 2018, the Board of the Financial Ombudsman Service made the relevant changes to the Handbook in the instrument listed below, subject to the consent and approval of the FCA. On 22 March 2018, the FCA Board also made changes to the Handbook in the instrument listed below, and consented to the making and amendment of the scheme rules by the Financial Ombudsman Service Ltd, and approved the fixing and variation of standard terms as made by the Board of the Financial Ombudsman Service Ltd.

CP	Title of instrument	Instrument No.	Changes effective
<u>17/38</u>	Fees (Tariff Data for Insurers from 2018/2019) Instrument 2018	FOS 2018/2 FCA 2018/14	1.4.18

- 1.2 On 22 March 2018, the Board of the Financial Conduct Authority made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No.	Changes effective
<u>17/38</u>	Fees (Consumer Financial Education Body Levy) Instrument 2018	FCA 2018/10	1.4.18
<u>18/2</u>	Financial Services Compensation Scheme (Management Expenses Levy Limit 2018/2019) Instrument 2018	FCA 2018/12	1.4.18
<u>17/18</u>	Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2018	FCA 2018/17	1.4.19; 30.9.19
<u>17/25</u>	Collective Investment Schemes Sourcebook (Miscellaneous Amendments) (No 2) Instrument 2018	FCA 2018/18	30.9.19

- 1.3 On 26 April 2018, the Board of the Financial Conduct Authority made the relevant changes to the Handbook as set out in the instruments listed below.

CP	Title of instrument	Instrument No.	Changes effective
<u>18/6</u>	Financial Conduct Authority (Change of Address) Instrument 2018	FCA 2018/21	1.7.18
<u>17/35</u>	Fees (Office for Professional Body Anti-Money Laundering Supervision) Instrument 2018	FCA 2018/23	30.4.18



## Summary of changes

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

## Feedback on responses to consultations

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- 1.5 Consultation feedback is published in Chapter 3 of this Notice or in a separate Policy Statement.

## FCA Board dates for 2018

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- 1.6 The table below lists forthcoming FCA board meetings. These dates are subject to change without prior notice.

May	24
June	28
July	26
September	27
October	25
November	15
December	13

# 2 Summary of changes

- 2.1 This Handbook Notice describes the changes to the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 22 March 2018 and 26 April 2018. It also describes changes made by the Board of the Financial Ombudsman Service to its rules and standard terms on 7 March 2018, with the approval of the FCA Board. Where relevant, it also refers to the development stages of that material, enabling readers to look back at developmental documents if they wish. For information on changes made by the Prudential Regulation Authority (PRA) please see [www.bankofengland.co.uk/pru/Pages/publications/default.aspx](http://www.bankofengland.co.uk/pru/Pages/publications/default.aspx)



### ***Fees (Tariff Data for Insurers from 2018/2019) Instrument 2018 (FOS 2018/2) (FCA 2018/14)***

- 2.2 Following consultation in Consultation Paper (CP) 17/38,<sup>1</sup> the FCA Board has approved changes to the Voluntary Jurisdiction rules by the Financial Ombudsman Service, and has made changes to the FCA Handbook sections listed below:

#### **Glossary**

**FEES 4, 4 Annex 1AR, 2AR, 12R and FEES 5, 5 Annex 1R and 2R**

- 2.3 It also deletes **FEES TP 13**.

- 2.4 In summary, this instrument makes changes to the Handbook in order to ensure that the revised tariff data is mapped as closely to the current tariff data as practicable, and that there is consistency of treatment between insurers subject to Solvency II and those who are not (non-Directive insurers). The instrument also aims to ensure that the revised tariff data is sourced from returns firms already submit for regulatory purposes to the Prudential Regulation Authority (PRA).

- 2.5 This instrument came into force on **1 April 2018**. Feedback has been published in a separate CP.<sup>2</sup>

### ***Fees (Consumer Financial Education Body Levy) Instrument 2018 (FCA 2018/10)***

- 2.6 Following consultation in CP17/38,<sup>3</sup> the FCA Board has made changes to the FCA Handbook sections listed below:

#### **FEES 7 and 7 Annex 1R**

- 2.7 It also adds a new section to FEES, **FEES 7 Annex 2R**.

- 2.8 In summary, this instrument makes changes to the Handbook in order to implement a change in the methodology for collecting the levy for debt advice funding, through the creation of a new fee-block, CC3 (consumer credit lending).

- 2.9 This instrument came into force on **1 April 2018**. Feedback has been published in a separate CP.<sup>4</sup>

1 [CP17/38 'Regulatory fees and levies: policy proposals for 2018/19' \(November 2017\)](#)

2 [CP18/10 'FCA regulated fees and levies: Rates proposals 2018/19' \(April 2018\) \(Chapter 7, Feedback on CP17/38 fees policy proposals\)](#)

3 [CP17/38 'Regulatory fees and levies: policy proposals for 2018/19' \(November 2017\)](#)

4 [CP18/10 'FCA regulated fees and levies: Rates proposals 2018/19' \(April 2018\) \(Chapter 7, Feedback on CP17/38 fees policy proposals\)](#)



### ***Financial Services Compensation Scheme (Management Expenses Levy Limit 2018/2019) Instrument 2018 (FCA 2018/12)***

- 2.10 Following a joint consultation<sup>5</sup> with the Prudential Regulation Authority (PRA), the FCA Board has made changes to the FCA Handbook section listed below:

#### **FEES 6 Annex 1R**

- 2.11 In summary, this instrument makes changes to the Handbook to ensure that the Financial Services Compensation Scheme (FSCS) has sufficient funds in order to operate and manage the scheme, and has a contingency reserve available, in the event of an unexpected increase in the number and value of claims against firms.
- 2.12 This instrument came into force on **1 April 2018**. FCA feedback is published in Chapter 3 of this Notice. PRA feedback has been published in a separate Policy Statement.<sup>6</sup>

### ***Collective Investment Schemes Sourcebook (Miscellaneous Amendments) Instrument 2018 (FCA 2018/17)***

- 2.13 Following consultation in CP17/18,<sup>7</sup> the FCA Board has made changes to the FCA Handbook sections listed below:

#### **COLL 4, 6, 7, 8 and TP 1**

- 2.14 In summary, this instrument makes changes to the Handbook in order to address weaknesses identified by our Asset Management Market Study.<sup>8</sup> The instrument implements changes to governance arrangements for authorised fund managers as well as other technical changes to improve the fairness of how investors in funds are treated. These changes are intended to require authorised fund managers to focus more on their duties as agents of investors in their funds.
- 2.15 This instrument comes into force on **1 April 2019** for Part 1 of the Annex, and **30 September 2019** for Part 2. Feedback has been published in a separate Policy Statement.<sup>9</sup>

5 CP18/2 'Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19' (January 2018)

6 PS5/18 'Financial Services Compensation Scheme - Management Expenses Levy Limit 2018/19' (March 2018)

7 CP17/18 'Consultation on implementing asset management market study remedies and changes to Handbook' (June 2017)

8 Asset Management Market Study (2015-2017)

9 PS18/8 'Asset Management Market Study remedies and changes to the handbook – Feedback and final rules to CP17/18' (April 2018)



### ***Collective Investment Schemes Sourcebook (Miscellaneous Amendments) (No 2) Instrument 2018 (FCA 2018/18)***

- 2.16 Following consultation in CP17/25,<sup>10</sup> the FCA Board has made changes to the FCA Handbook section listed below:

#### **COLL 6 and 8**

- 2.17 In summary, this instrument makes changes to the Handbook in order to address weaknesses identified by our Asset Management Market Study.<sup>11</sup> The instrument implements changes to governance arrangements for authorised fund managers, with particular relevance to the Senior Managers and Certification Regime.
- 2.18 This instrument comes into force on **30 September 2019**. Feedback has been published in a separate Policy Statement.<sup>12</sup>

### ***Financial Conduct Authority (Change of Address) Instrument 2018 (FCA 2018/21)***

- 2.19 Following consultation in CP18/6,<sup>13</sup> the FCA Board has made changes to the FCA Handbook sections listed below:

#### **GEN 1 and 2 Annex 1G MAR 9 SUP 6, 10A, 10A Annex 8D, 10C, 12, 13A, 13A Annex 3R, 14, 15, 16 and 17A CREDS 8 REC 3 and 6 LR 1 DTR 1, 1A, 1C, 6 and 8**

- 2.20 This instrument also makes changes to material outside the Handbook, namely the Enforcement Guide: **EG 13**.
- 2.21 In summary, this instrument makes changes to the Handbook to reflect our forthcoming office relocation, and to ensure that users of our Handbook are provided with accurate information for submissions and communications where our address is a necessary component.
- 2.22 This instrument comes into force on **1 July 2018**. Feedback is published in Chapter 3 of this Notice.

<sup>10</sup> CP17/25 'Individual Accountability: Extending the Senior Managers & Certification Regime to all FCA firms' (July 2017)

<sup>11</sup> Asset Management Market Study (2015-2017)

<sup>12</sup> PS18/8 'Asset Management Market Study remedies and changes to the handbook – Feedback and final rules to CP17/18' (April 2018)

<sup>13</sup> CP18/6 'Quarterly Consultation Paper No 20' (March 2018)



### ***Fees (Office for Professional Body Anti-Money Laundering Supervision) Instrument 2018 (FCA 2018/23)***

- 2.23 Following consultation in CP17/35,<sup>14</sup> the FCA Board has made changes to the FCA Handbook section listed below:

#### **FEES 1**

- 2.24 It also adds two new sections to FEES: **FEES Appendix 2** and **Appendix 3**.
- 2.25 In summary, this instrument makes changes to the Handbook in order to establish a fees structure for the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) which distributes cost recovery fairly between the different Professional Body Supervisors.
- 2.26 This instrument comes into force on **30 April 2018**. Feedback will be published in a separate Policy Statement.

## **3 Consultation feedback**

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

### **CP18/2: Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19**

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#### ***Financial Services Compensation Scheme (Management Expenses Levy Limit 2018/19) Instrument 2018***

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

- 3.2 In Consultation Paper (CP) 18/2<sup>15</sup> we and the Prudential Regulation Authority (PRA) consulted on the Management Expenses Levy Limit (MELL) for the Financial Services Compensation Scheme (FSCS). The MELL is the maximum amount which the FSCS may levy for its management expenses in a year,<sup>16</sup> and is proposed to be £77.7m for 2018/19. This includes a management expenses budget of £72.7m and

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14 CP17/35 'Recovering the costs of the Office for Professional Body Anti-Money Laundering Supervision: fees proposals' (October 2017)

15 CP18/2 'Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19' (January 2018)

16 The FCA and the PRA can decide to increase the MELL but a further formal consultation would be required.



an unlevied contingency reserve of £5m. The proposed MELL of £77.7m would apply from 1 April 2018.

- 3.3 The proposed management expenses of £72.7m covers the FSCS' ongoing operating expenses and includes the FSCS' IT, outsourcing, legal and claims handling costs. This is an increase of 5% (£3.5 million) over the 2017/18 budget driven by a proposed increase in the capacity of its credit facility and a number of one-off costs.
- 3.4 The proposed contingency reserve for 2018/19 is £5 million. The FSCS has reviewed the level required and considers that a £5 million reserve is sufficient. This represents a reduction of 5.7% (£0.3 million) from the 2017/18 contingency reserve. The contingency reserve is an important part of the FSCS' contingency planning and allows the FSCS to raise additional funds at short notice to meet costs that were not foreseen when the management expenses levy was raised. The contingency reserve can be levied without further formal consultation by the PRA and the FCA.

***Feedback and our response***

- 3.5 There was no feedback received to the consultation and so we are taking forward our proposals as consulted on.

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

- 3.6 The cost benefit analysis and compatibility statement as set out in CP18/2 remains valid and unchanged.

***Equality and diversity issues***

- 3.7 The equality and diversity statement in CP18/2 remains valid and unchanged. We received no comments on this statement.
- 3.8 We have made the rule changes to FEES on which we consulted. The final instrument does not differ from that consulted on and the changes made to this instrument are listed in Chapter 2 of this Notice.

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## **CP18/6: Quarterly Consultation Paper No 20 – Chapter 4**

### ***Financial Conduct Authority (Change of Address) Instrument 2018***

***Background***

- 3.9 In Consultation Paper (CP) 18/6,<sup>17</sup> published in March 2018, we consulted on our proposal to amend references to the London address

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17 [CP18/6 'Quarterly Consultation Paper No 20' \(March 2018\)](#)





of the FCA in our Handbook at the same time as we change our registered address with Companies House.

- 3.10 We have two operational locations in London and Edinburgh. The London office is relocating from 25 The North Colonnade (25TNC) and 1 Canada Square (1CS), both in Canary Wharf, to 12 Endeavour Square (12ES), Stratford, over the summer of 2018. In connection with the office relocation, we will also change our registered address for the purposes of the Companies Act 2006. We propose also to amend the references to our address in the Handbook, with those amendments coming into force 1 July 2018.

### **Feedback**

- 3.11 We received nine responses to Chapter 4 of CP18/6. All respondents queried whether firms could continue to use existing printed materials that refer to our current address. In addition:
- one respondent queried whether firms are required to notify their customers of our change of address
  - one respondent referenced the Consumer Credit (Agreements) Regulations 2010 (CCAR), schedule 1 (noting the FCA's geographical address), and
  - five respondents requested a transitional period (one specifying a 12 month period) before they would be required to cite our new address when making required disclosures under provisions in our Handbook, such as the Conduct of Business Sourcebook (COBS) 6.1ZA.5. As that particular provision is an EU provision which applies directly in the UK and which the FCA, as the relevant competent authority, is required to supervise and enforce, we cannot put in place a transitional provision of the sort requested.

### **Our response**

- 3.12 We would expect firms to ensure that, in their communications with their customers, they include the correct address for the FCA. But we do recognise that firms may have stocks of printed materials that refer to our current address. Provided that firms are actively taking steps to replace that material so as to include our new address as soon as reasonably practicable, we would take those steps into account in deciding whether it would be appropriate to take enforcement action against a firm that continues to use existing stocks of printed material for a period of no more than 12 months after our change of registered address on 1 July 2018.
- 3.13 We would not expect firms proactively to notify all their existing customers of our change of address. But, as above, we would expect firms to take reasonable steps to ensure that they refer to an up-to-date address for the FCA when communicating with their customers.



We intend to proceed with the amendments as originally proposed in CP18/6.

3.14 Where respondents specifically queried COBS 6.1ZA.5, that particular provision is an EU provision which applies directly in the UK, and which the FCA, as the relevant competent authority, is required to supervise and enforce. We therefore cannot put in place a transitional provision of the sort requested. Though we recognise that firms may have existing stocks of printed materials referring to our current address, and we would maintain a postal redirection for a period after our move, we would nevertheless encourage firms to update their printed materials as soon as reasonably practicable.

3.15 Where respondents specifically queried CCAR schedule 1 to note our geographical address on credit agreements, while we propose to take a similar approach to that referred to in paragraph 3.12, our approach in that paragraph would not have any bearing on the question of whether the credit agreement is properly executed as a result of using the old address after the date of the office move. Firms will need to take that risk into account in following that approach in relation to credit agreements.

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

3.16 The cost benefit analysis remains as published in Chapter 4 of CP18/6. Our view on the compatibility statement remains unchanged.

***Equality and diversity issues***

3.17 As explained in CP18/6, we have considered the equality and diversity issues that may arise from our proposals. Overall, we do not consider that the proposals adversely impact any of the groups with protected characteristics ie age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

3.18 The changes made by this instrument are listed in Chapter 2 of this Notice.



## 4 Additional information

### Making corrections

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

### Publication of Handbook material

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- 4.2 This Notice is published on the FCA website and is available in hardcopy.
- 4.3 The formal legal instruments (which contain details of the changes) can be found on the FCA's website listed by date, reference number or module at [www.handbook.fca.org.uk/instrument](http://www.handbook.fca.org.uk/instrument). The definitive version of the Handbook at any time is the version contained in the legal instruments.
- 4.4 The changes to the Handbook are incorporated in the consolidated Handbook text on the website as soon as practicable after the legal instruments are published.
- 4.5 The consolidated text of the Handbook can be found on the FCA's website at [www.handbook.fca.org.uk/](http://www.handbook.fca.org.uk/). A print version of the Handbook is available from The Stationery Office's shop at: [www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/](http://www.tsoshop.co.uk/Financial-Conduct-Authority-FCA/).
- 4.6 Copies of the FCA's consultation papers referred to in this Notice are available on the FCA's website.

### Obligation to publish feedback

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



## Comments

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- 4.8 We always welcome feedback on the way we present information in the Handbook Notice. If you have any suggestions, they should be sent to [handbookproduction@fca.org.uk](mailto:handbookproduction@fca.org.uk) (or see contact details on the back cover).

## Handbook Notice 54

This Handbook Notice describes the changes to the Handbook and other material made by the Financial Conduct Authority (FCA) Board under its legislative and other statutory powers on 22 March and 26 April 2018; and the rules and standard terms made by the Financial Ombudsman Service on 7 March 2018.

It also contains information about other publications relating to the Handbook and, if appropriate, lists minor corrections made to previous instruments made by the Board.

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

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

Emily How

Tel: 020 7066 2184

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

Gabby Stephenson

Tel: 020 7066 7887

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

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

Tel: 0300 500 0597

Fax: 0207 066 0991

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

Post: Contact Centre

Financial Conduct Authority

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