

Handbook Notice No.55

May 2018

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1 Overview

Legislative changes

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

CP	Title of instrument	Instrument No.	Changes effective
<u>17/36</u>	Financial Services Compensation Scheme (Funding Review) Instrument 2018	FCA 2018/22	2.5.18; 1.4.19

- 1.2 On 24 May 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>N/A</u>	Handbook Administration (Data Protection) Instrument 2018	FCA 2018/24	25.5.18
<u>17/7</u> <u>17/23</u> <u>17/32</u> <u>17/33</u> <u>17/39</u>	Insurance Distribution Directive Instrument 2018	FCA 2018/25	25.5.18; 1.10.18
<u>18/6</u>	Supervision Manual (Reporting No 8) Instrument 2018	FCA 2018/26	25.5.18; 30.9.18

Summary of changes

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

Feedback on responses to consultations

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



FCA Board dates for 2018

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

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 26 April and 24 May 2018. 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

Financial Services Compensation Scheme (Funding Review) Instrument 2018 (FCA 2018/22)

- 2.2 Following consultation in Consultation Paper (CP) 17/36,¹ the FCA has made changes to the FCA Handbook sections listed below:

Glossary
FEES 6, 6 Annex 2R, 3AR, 4G and 5R
SUP 16 Annex 18AR and 18BG
COMP 4, 7, 10 and TP 1

- 2.3 It also adds two new sections to FEES: **FEES TP 19 and TP 20.**

1 [CP17/36 'Reviewing the funding of the Financial Services Compensation Scheme \(FSCS\): feedback from CP16/42, final rules, and new proposals for consultation' \(October 2017\)](#)



- 2.4 In summary, this instrument makes changes to the Handbook in order to continue to ensure that the Financial Services Compensation Scheme (FSCS) provides the right protections, works effectively and is funded fairly.
- 2.5 Part 1 of Annex B and Part 1 of Annex D of the instrument came into force on **2 May 2018**. The remainder of the instrument comes into force on **1 April 2019**. Feedback has been published in a separate CP.²

Handbook Administration (Data Protection) Instrument 2018 (FCA 2018/24)

- 2.6 The FCA Board has made minor changes to various modules of the FCA Handbook, as listed below. These changes were not consulted on separately because they are minor administrative changes resulting from new data protection legislation. The amendments to the Handbook clarify existing provisions which have previously been consulted on. None of these changes represent any alteration in FCA policy.

Glossary
COCON 1
MCOB 6, 11A and 13
CONC 2, 7, 8 and 13
PR 1

- 2.7 In summary, this instrument makes changes to the Handbook in order to reflect the two new pieces of legislation that will replace the current Data Protection Act 1998 in the UK: the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA 2018). The amendments to the Handbook will ensure that it reflects the new legislation and correctly makes reference to the GDPR and DPA 2018. Both pieces of legislation come into force on 25 May 2018.
- 2.8 This instrument comes into force on **25 May 2018**.

Insurance Distribution Directive Instrument 2018 (FCA 2018/25)

- 2.9 In order to transpose the requirements of the Insurance Distribution Directive (IDD) into Handbook rules, the FCA set out its proposals in a number of consultations. CP17/7³ and CP17/23⁴ covered the implementation of most Level 1 matters. CP17/33⁵ mainly covered the UK approach to reflecting the delegated acts of the Directive into the

² CP18/11 'Reviewing the funding of the Financial Services Compensation Scheme (FSCS): feedback from CP17/36, final rules and new proposals for consultation' (May 2018)

³ CP17/7 'Insurance Distribution Directive Implementation – Consultation Paper I' (March 2017)

⁴ CP17/23 'Insurance Distribution Directive Implementation – Consultation Paper 2' (July 2017)

⁵ CP17/33 'Insurance Distribution Directive Implementation – Consultation Paper 3' (September 2017)



Handbook. CP17/32⁶ and CP17/39⁷ focused mainly on making changes to FCA forms. As a result of these consultations, the FCA Board has made changes to the FCA Handbook sections listed below:

Glossary

PRIN 3

SYSC 1, 1 Annex 1, 2, 3, 4, 5, 9, 10, 13, 19 and Sch 1

COND 2

FIT 1

TC 1, 4, App 2 and TP 1

GEN 4 and Sch 1

FEES 3 Annex 1R, 4, 4 Annex 5R, 11AR, 13G, 5 Annex 1R and 6

MIPRU 1, 2, 3, 4 and 5

IPRU(INV) 9 and 13

COBS 1, 1 Annex 1, 2, 4, 6, 7, 8, 9, 9 Annex 1R, 9A, 10, 10A, 14, 16A, 18, TP 2 and Sch 1

ICOBS 1, 1 Annex 1, 2, 3, 3 Annex 1G, 4, 5, 6, 6 Annex 1R, 6 Annex 2R and 6A

CASS 1, 1A, 5, 7, 8, 9 and TP 1

PROD 1

SUP 3, 6 Annex 5D, 10A, 10A Annex 4D, 10A Annex 8D, 10C, 11, 12, 12 Annex 3R, 12 Annex 4R, 13, 13 Annex 5R, 13A, 13A Annex 1G, 13A Annex 2G, 14, 15, 16 Annex 9R, 16 Annex 9AG, 16 Annex 18AR, 16 Annex 18BG and App 3

DISP 1

COMP 1, 3, 4, 5, 8, 10, 12 and 14

CREDS 1 and 10

PROF 1, 3, 4, 5 and 7

- 2.10 This instrument adds the following new sections to the Handbook: **SYSC 28, GEN TP 4, ICOBS 6 Annex 3R** and **PROD 4**.
- 2.11 The instrument also makes changes to material outside the Handbook, namely the Enforcement Guide: **EG 3, 8** and **19**; and the Perimeter Guidance manual: **PERG 1, 2, 2 Annex 2, 4, 5, 8, 10, 10 Annex 3, 12** and **13**.
- 2.12 In summary, the rules contained within this instrument make changes to the Handbook in order to provide an enhanced regime that meets the objectives of the IDD; and ensures a level playing field for sellers of insurance and better protection for consumers when buying insurance. This should ultimately result in:
- consistent consumer protections across different distribution channels, and preventing regulatory distortions of competition, and

⁶ CP17/32 'Quarterly Consultation No 18' (September 2018)

⁷ CP17/39 'Quarterly Consultation No 19' (December 2018)



- products being sold to consumers that better meet their needs, alongside improved product information, enabling consumers to have greater confidence in their insurance purchasing decisions.

2.13 This instrument comes into force on **1 October 2018**, except for Annex A Part 1 and Annex G Part 1, which both come into force on **25 May 2018**. We published Policy Statement (PS) 18/1⁸ in January 2018 which contained our near-final rules and feedback to previous IDD consultations. There are no substantive policy changes from the near-final rules that were published in PS18/1. There are some minor changes, including to correct some typos and to align certain rules with the approach we outlined in the consultation papers. For example, in COBS 8 we have clarified how the IDD requirements apply to both intermediaries and insurers when doing insurance distribution activities.

2.14 We plan to consult on some further minor IDD-related changes in the Quarterly Consultation Paper due to be published on 1 June 2018, as follows:

- changes to disapply some Handbook rules to authorised professional firms who carry out non-mainstream regulated activities
- a change to the appointed representatives appointment form, and
- a change in COBS 10A for insurance distribution rules to indicate the relevance of the European Insurance and Occupational Pensions Authority (EIOPA) guidelines on the assessment of complex insurance-based investment products.

Supervision Manual (Reporting No 8) Instrument 2018 (FCA 2018/26)

2.15 Following consultation in CP18/6,⁹ the FCA Board has made changes to the FCA Handbook sections listed below:

SUP 12, 15, 16, 16 Annex 43AR and 43BG

2.16 In summary, this instrument makes changes to the Handbook in order to improve our reporting requirements by making the text clearer and easier to follow; and to remove an unnecessary reporting burden on firms that is no longer required for supervisory purposes.

2.17 Part 1 of this instrument comes into force on **25 May 2018**, and Part 2 comes into force on **30 September 2018**. Feedback is published in Chapter 3 of this Notice.

8 PS18/1 'Insurance Distribution Directive implementation – Feedback and near-final rules for CP17/23, CP17/32, CP17/33, CP17/39 and near-final rules for CP17/07' (January 2018)

9 CP18/6 'Quarterly Consultation Paper No 20' (March 2018)



3 Consultation feedback

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

CP18/6: Quarterly Consultation Paper No 20 – Chapter 3

Supervision Manual (Reporting No 8) Instrument 2018

Background

- 3.2 In March 2018 we proposed changes to parts of Chapter 16 of the Supervision manual (SUP) in the FCA Handbook. In Consultation Paper (CP) 18/6¹⁰ we proposed some minor changes to our new retirement income reporting requirements and to remove the annual requirement to report information on Appointed Representatives (ARs).
- 3.3 Specifically, we consulted on:
- removing the annual reporting requirement to update us of changes to ARs in writing (SUP 16.9), but keeping the requirement to notify us of changes to ARs online throughout the year as and when changes arise
 - minor changes to the method of notification, removing reference to the now redundant 'ONA system', replacing this with reference to online submission via our website or any of the other approved FCA methods for hard copy submission in SUP 15.7
 - removing a redundant reference to a PRA-only rule (SUP 15.7.5BR) that remained in the FCA Handbook in error following legal cutover, and
 - making minor changes to the new retirement income forms (REP015 and REP016), rules and guidance to provide greater clarity to firms who will be completing these data items for the first time this year.

Feedback

- 3.4 We received four responses to our proposals in CP18/6. Two respondents were supportive of the proposals and had no further feedback. One respondent highlighted a minor technical change required in the instrument relating to the deletion of the AR reporting requirements. This was immediately corrected on the FCA website

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



via an addendum to the CP. The fourth respondent raised questions about a specific section of guidance text regarding crystallised assets transferred into a previously uncrystallised fund. The corresponding guidance text has been revised in the final instrument to provide greater clarity for firms.

Our response

- 3.5 We are making one alteration to our proposed changes, as set out in CP18/6, as a result of feedback to the consultation. We have altered the guidance wording relating to how and when to report a fund which is uncrystallised that has a transfer in of crystallised assets. The reporting policy intention has not changed; however, the wording has been altered in the instrument to make our intention clearer.

Cost benefit analysis and compatibility statement

- 3.6 The cost benefit analysis and compatibility statement from the consultation paper has not changed because we have made no impactful alterations following the consultation process.

Equality and diversity issues

- 3.7 We continue to believe these changes do not give rise to any equality and diversity issues nor do they give rise to unfair discrimination against protected groups as set out in the consultation paper.
- 3.8 The changes made by this instrument are listed in Chapter 2 of this Notice.

4 Additional information

Making corrections

- 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

- 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. 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/. A print version of the Handbook is available from The Stationery Office's shop at: 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

- 4.7 This Notice, and the feedback to which Paragraph 1.4 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

- 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 (or see contact details on the back cover).

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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 26 April and 24 May 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:

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Email: emily.how@fca.org.uk

Gabby Stephenson

Tel: 020 7066 7887

Email: 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

Post: Contact Centre

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